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ABSTRACT

Differences in fund raising in public and private colleges are considered in 14 papers, with attention to different strategies, the organization of the effort, and special considerations. Article titles and authors are: "Private Support of Public Higher Education" (Michael J. Worth); "Organization of Fund Raising at Public Institutions" (John W. Leslie); "The Private Foundation at a Public University" (Curtis R. Simic); "Working with Volunteers" (Barbara W. Snelling); "Role of the Public College or University President in Fund Raising" (James L. Fisher); "Annual Giving at Public Institutions" (Robert R. Ashton); "The Role of Major Gift Clubs at Public Institutions" (Donald L. Lemish); "Corporate and Foundation Support for Public Institutions" (George E. Moore); "Capital Campaigns at Public Institutions" (Robert B. Rennebohm); "Planned Giving Programs at Public Institutions" (J. Robert Sandberg); "Raising Funds for Faculty Support" (Marion B. Peavey); "Athletic Fund Raising" (Ian T. Sturrock); "Fund Raising for Two-Year Colleges" (Stephen R. Wise, Marlene W. Camper); "State Laws and Policies Affecting Private Support for Public Higher Education" (Constance Kravas); and "The Public-Private Partnership" (M. Worth). (SW)

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Public College and University Development

Michael J. Worth, Editor



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*Fund Raising at State Universities, State Colleges,
and Community Colleges*

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FOREWORD

The idea for this volume came from my own experiences as a development officer at two private liberal arts colleges and later at a major, multi-campus state university. While most of the lessons I learned in the private sector, especially with regard to general fund-raising principles, were equally applicable in raising funds for a state university, there were sufficient differences between the two sectors to require some adjustment when I began my duties at the University of Maryland in 1977.

In reviewing the literature on fund raising in connection with my doctoral dissertation in 1982, I was struck by the fact that much of it had been written by and for development officers in private institutions and did not reflect the unique characteristics and concerns of public colleges and universities. This is understandable, since fund raising has long been an essential part of private higher education and has only in recent decades become vital to public institutions. But there seemed to be a need for a volume addressed to development officers in the public sector to help them better understand the circumstances and opportunities facing their institutions. I proposed the idea to Virginia Carter Smith, vice president of the Council for Advancement and Support of Education, and found an enthusiastic reception. Her advice, guidance, and assistance in the planning and preparation of this volume were invaluable, and I acknowledge them with deep appreciation. Mrs. Smith was helpful in the selection of topics to be covered, the identification of authors, and in the final editing of this book.

The authors were selected for their experience in a variety of fund-raising specialties and types of institutions, ranging from multi-campus state universities to smaller state colleges to community colleges. Each is recognized as an accomplished development professional with expertise in the area addressed by his or her chapter. It is their wisdom that is reflected here, not the editor's, and I am grateful to each of them for their willingness to participate in this book.

It is important to understand that this book is not intended as a "how-to-do-it" manual on educational fund raising. That would merely duplicate the many fine materials already available. The chapters in this book may provide advice helpful to practicing fund raisers, but the focus is not upon techniques. Rather, the purpose is to provide a discussion of the ways in which fund raising in the public sector differs from that in the private sector and how such differences affect the strategies that must be pursued.

Since this project was initiated, I have once again changed sectors, going from a public university to a private university, completing the circuit I began when I left a private college for

the University of Maryland over six years ago. Although this book is about the very real differences between fund raising for private and public institutions, my own experience suggests that there are far more similarities between the sectors than there are differences. George Moore, one of the authors represented in this book, once told me that there are only six steps in successful fund raising: (1) Identify your prospects. (2) Cultivate them. (3) Ask for the gift. (4) Ask for the gift again. (5) Ask for the gift again. (6) Say "thank you." And that is essentially it, whether we are raising funds for a state university, a private liberal arts college, or a YMCA. I would add to this simple formula only the thought that fund raising begins with needs and that, as a first step, the institution must clearly identify its needs even before it begins to think about prospects. If this step is not done well, the rest will be without meaning or success. We raise money to achieve educational objectives and not as an end in itself.

Having made the transition from private to public and back again, I am impressed not only by the fact that basic fund-raising principles are essentially the same, but by the fact that private and public higher education in the broader sense share many of the same problems and challenges and need to work together. In a decade when all of higher education is under-supported and perhaps under-appreciated by its society, neither public nor private institutions can afford to be pitted against the other sector. Not that this always or frequently occurs; there are many splendid examples of cooperation. But on some points, such as public support for private colleges and private support for public institutions, both sectors should stay focused on the need to enlarge the pie for all of higher education.

In addition to Mrs. Smith of CASE and the authors represented in this book, I express my appreciation to my former colleagues at the University of Maryland who reviewed initial outlines and made many helpful suggestions. And finally, I thank my family -- Helen, Shane, and Lindsey Worth -- for their patience with my spending time on this project.

I know that all of the authors join me in the hope that this volume will be helpful to development officers at public colleges and universities across the country and that it will contribute in some small way to their effectiveness in working for the advancement of their important institutions.

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Part I

Introduction

Chapter 1

PRIVATE SUPPORT OF PUBLIC HIGHER EDUCATION

by Michael J. Worth

Possibly the two most significant trends in educational fund raising in the past decade have been the growth of private philanthropic support of public higher education and the emergence of aggressive development programs at public colleges and universities.

While from 1971-72 to 1980-81 total voluntary support of higher education increased by 101.5 percent -- from \$1.6 billion to \$3.3 billion -- private gifts to public institutions increased by 160.8 percent -- from \$356 million to \$929 million. Giving to private colleges and universities increased by 89.6 percent over this period.

Only a small portion of the increase in giving to public higher education has come at the expense of private institutions. The private sector share of total voluntary support decreased from 71.9 percent in 1971-72 to 67.7 percent by the end of the decade, while the public institution share grew from 21.6 to 28.0 percent. These shifts are not major; furthermore, a number of institutions changed their status during the decade, blurring the statistics. Rather than impairing gifts to private institutions, increased gift support of public colleges and universities appears to have resulted primarily from a larger pie, which is growing in part because of intensified fund-raising efforts by private institutions.

As John T. Bernhard, then president of the American Association of State Colleges and Universities, said in CURRENTS in December 1979, "a high tide raises all ships....If you increase the giving tradition, you tend to benefit all institutions because when people give they tend to give more to both public and private. They will sometimes support both because they like all of higher education more."

History of private support for public schools

Although it has grown dramatically in recent years, private support of public higher education is not a new concept. The Kansas University Endowment Association, the independent foundation affiliated with the University of Kansas, was established in 1891 to receive gifts from alumni. State universities in the Midwest have for years ranked high among

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all institutions, both public and private, in the total of gifts received. But this tradition is not typical of public higher education in all parts of the country, particularly the East.

In the eastern states, private colleges and universities are numerous and existed years before state institutions were established and developed prominence. The eastern state universities were viewed in the last century and well into the current one as specialized schools focusing on agriculture and the mechanical arts and not destined to achieve excellence across a broad spectrum of fields.

For example, the 1978 Maryland Master Plan for Postsecondary Education quotes a commission appointed by the Governor of Maryland in the 1920s, which stated that it was the "...policy of this State, in common with most eastern states...to depend largely upon...privately managed colleges and universities for the education of its youth beyond the high school grades." This same commission recommended that the state university in Maryland not develop "...as a great State University of the general type of the universities of certain Western and Middle Western States, where conditions are quite different from those prevailing in Maryland."

In addition to the state universities are the more numerous state colleges. Most of these for much of their history were dedicated primarily to teacher training, only in recent decades expanding into comprehensive four-year institutions. This same period saw the development of two-year community colleges, which have just recently entered the fund-raising arena.

As a result of these traditional attitudes and limited missions, combined with public support that was, if not generous, at least adequate through the 1960s, most public institutions in most parts of the country simply did not seek nor receive significant private support until recent years. But times have changed.

State colleges are now four-year institutions that do more than prepare young people for teaching careers; many have emerged as universities. The major state universities have grown in mission and quality and are now vital resources to their states and regions. Rivaling private colleges and universities in quality, public institutions have moved to the forefront of American higher education.

The increasing importance and expanding missions of public institutions have been accompanied in the past decade by stable or diminishing public support. Higher education no longer holds the high national priority that it did in the "golden age" of the 1960s. With public support that has, at best, kept pace with inflation, and with ever-greater responsibilities to face, it is understandable that public colleges and universities have turned increasingly to the private sector to help meet their needs and pursue their goals.

While public institutions have sought private support, private institutions have turned to government for support of both operating and capital budgets. Private colleges and universities in 11 states now receive direct state support for current operations, and state bond issues help finance capital projects at private campuses in many states. Federal funds, mostly for research and student aid, are about evenly divided between private and public institutions. State and federal scholarship programs often base aid upon student "need," the calculation of which takes into account the cost of attending the student's chosen institution. Such programs have provided significant indirect support to higher-cost institutions and have reduced in practice the apparent "tuition gap" between public and private campuses.

These trends have led to a blurring between the public and private sectors and an emerging public-private partnership in all of higher education. But significant differences remain between the public and private sectors in many areas, including fund raising. The unique characteristics of public institutions affect what can be done, what cannot be done, and how things must be done. This chapter summarizes some of these differences, which are discussed in great detail in the remainder of the book.

The case for private support of public higher education

All successful fund raising begins with a case. Statements of the case for private support of public higher education almost always include some variation of the "margin for excellence" theme, summarized in a brochure published by the National Association of State Universities and Land-Grant Colleges (NASULGC):

Why private investment in public colleges and universities?

Why do these institutions need to seek revenue from private sources when they receive tax funds?

The answer is basic: Private support spells the difference between the adequate and the truly great institutions of higher education.

Voluntary help from private sources makes it possible for public universities to take advantage of unexpected opportunities to grow. The money can be used to recruit expert faculty or to qualify for a matching gift.

Private investment is the vital ingredient which provides the necessary flexibility so important in building a sound educational program. Much of the up-to-date teaching and research achievements and the cultural activities of public colleges and universities have been made possible through such support.

Today the ordinary is not good enough. The highest level of excellence, realized through private support, is essential.

Private support is the margin for excellence for public higher education.

Closely related to the margin for excellence concept is the need for more fiscal flexibility than state budgets usually provide. As the NASULGC brochure mentions, "Tax funds are budgeted far in advance and often fail to provide for unforeseen opportunities for the continual development of a great university."

Not only are state budgets planned years in advance, allowing little or no flexibility to seize new opportunities that may emerge unexpectedly, but public college and university budgets in many states are subject to strict line-item review by the legislature, making it difficult for the institution to set its own agenda or obtain the "running room" necessary for significant improvement.

Some state universities, such as the University of Michigan, are established by their state constitutions. Such constitutionally based universities have considerable freedom in allocating their resources and in their methods of operation. However, most state universities and colleges are established by a state statute and enjoy considerably less autonomy. R.D. Daniels notes in his 1979 study of university research foundations, "The mission, even the very existence of a statutory university is never more than one law away from fundamental change." For such institutions, the flexibility provided by private funds may be virtually essential. Paul Dressel says, "Institutions under the line item budget are driven...to seek gifts from private sources."

In Francis Pray's Handbook for Educational Fund Raising, Robert Rennebohm, president of the University of Wisconsin Foundation, vividly describes the importance of private funds in a large public university:

In addition to the usual committee structure of the institution itself, important decisions are often bogged down as they work their way from the board of regents or trustees through the state's bureaucratic maze on their way to the legislature, which incidentally may be out of session for several weeks or even months, and on to the governor. This may not always matter -- in fact, it may be good when the discussion is on the establishment of a new school, college, or department requiring sizable outlays of tax money, or on whether the faculty shall have collective bargaining rights. However, such delays can be very harmful and costly when it comes to a sound business opportunity that may be available only for a brief period.

The lack of flexibility created by state policy and procedure or by exclusive reliance on state budgets can also be harmful when an opportunity arises to recruit a distinguished faculty member, to assist a promising student to attend the university, or to obtain equipment needed to explore new research in a direction that was not even on the horizon when the current budget was developed three years before. In such instances, private funds do provide a margin for excellence, a margin for innovation, and a margin within which public college and university administrators can seek to achieve progress for their institutions.

Unlike private colleges, public institutions generally are not reliant upon private gifts for basic operating costs, such as heat, light, and building maintenance. Their survival is not at risk to the degree that it is for smaller private colleges, for which tuition and gifts may be almost the only sources of revenue. It is excellence, not survival, that is generally at stake. Advocates of private higher education may argue that gifts to private colleges and universities are thus more meaningful, because they are more vital to the institution's health. Public institutions may reply that they can apply gifts directly to achieving educational improvement, since the basics are covered by the state, and that this is more satisfying to donors than helping to pay the light bill. What is satisfying or meaningful to a donor is, of course, determined by that donor and dependent upon his or her own interests and loyalties. Both public and private institutions have real needs, both are essential to the strength of American higher education, and both would do well to avoid references to the other in stating their own case. What is needed most is more support -- from both public and private sources -- for colleges and universities of both varieties.

Raising funds for the public college or university

This book discusses the ways in which fund raising for public institutions differs from the private sector of higher education and the special considerations and strategies that apply to public colleges and universities. One significant difference between private and public institutions, which affects fund raising, lies in the nature of the governing board.

The importance of the governing board in the fund-raising program has been widely discussed. Arthur C. Frantzreb says, "The first volunteer group in every charitable institution is the governing board. The governing board sets the leadership and functional criteria for others to follow." Robert L. Stuhr states, "While additional persons are needed as leaders and workers and givers, the added impetus which trustee leadership gives [to fund-raising programs] cannot be matched by any other group." And J.K. Knudsen says, "It is axiomatic that success in all development responsibilities is a function of board strength."

Boards of trustees at private institutions are self-perpetuating, that is, new members are elected by existing board members. And their potential as donors and fund raisers is at least one consideration in the selection of new members. More aggressive presidents have been known to instruct their trustees to "Give, get, or get off," reflecting the considerable importance that private institutions attach to the board's fund-raising role.

But the trustees or regents of public institutions are either appointed by the governor of the state, usually with confirmation by the legislature, or are elected by the public. While the institution may be able to recommend individuals for appointment to the governing board, it cannot control such appointments, which may be made for a variety of reasons other than potential for giving and getting private support. Regents may be selected to represent various political constituencies or regions of the state or for a number of other purposes. They may in fact be individuals of wealth or willing volunteers for the fund-raising program, but since this is not a primary consideration in their selection, chances are that many or most will not have such an interest.

In fact, governing boards of public institutions have a dual role -- to serve both as advocates for the institution and as agents of the state, protecting the public interest and holding the state college or university accountable for its use of public funds. This dual role may make it difficult for the public university regent to serve as an advocate for the institution, particularly in multi-campus state systems, where governing board members may try to maintain a neutrality rather than identify with the interests of any one institution.

Various studies have shown that governing boards at public institutions in fact have little involvement with fund raising. A study conducted by this author in 1982 found that only 7 percent of public college and university boards have a committee concerned exclusively with fund raising and that only 13 percent have a committee concerned even in part with this activity. At approximately half of all public colleges and universities, less than a quarter of the governing board makes a gift to the institution in any given year.

In view of the likely noninvolvement of the legal governing board in fund raising, public institutions must establish new volunteer structures to lead their development programs. Some public institutions have created independent foundations with self-perpetuating boards resembling those of private colleges. Others have found ways of employing alumni boards and various advisory boards for the same purpose. In Chapter 4, Barbara Snelling discusses strategies for working with volunteers in fund raising for public colleges and universities.

Public institutions must be careful to involve volunteers sufficiently in the life of the institution to develop commitment

while not encroaching on the legal authority of the governing board of regents or trustees.

Usually, fund-raising leadership cannot be separated from a more substantive involvement with the institution. As Steven Muller tells us in A. Westley Rowland's 1978 Handbook of Institutional Advancement, "The pursuit of resources must fully interact with the use of resources. It is useless to develop an academic plan without consultations with those who must develop the resources to implement it." This means that members of a foundation or advisory board must be consulted and kept informed concerning the institution's plans and goals. Such boards must recognize and respect that the final authority for academic programs and institutional policy, including that on fund raising, lies with the legal governing board. And the governing board must recognize the institution's volunteer leaders as full partners and be willing to benefit from their wisdom as well as their work and wealth.

Achieving this balance of involvement with respect for defined roles requires skillful leadership by the public college or university president and the development officer. The private college president's governing board of trustees may well include the institution's most important donors and fund-raising volunteers, but the public institution president must carefully blend two groups, representing both public and private interests. The public college president must work for an appointed governing board representing primarily the interests of the citizens who provide the largest share of revenues, but with a separate group of volunteers and donors who can provide the private resources so vital to the president's goals for the institution. In Chapter 5, James Fisher discusses in greater detail the complex role of the public institution president.

A second important difference faced by development programs in the public sector lies in the nature of the alumni body. Many, although not all, public institutions have large alumni bodies composed of many thousands of men and women. The implications of size for fund-raising strategy may be significant. Massive annual fund programs may require special considerations in list management and gift acknowledgement. Large public university classes may make class-agent systems, employed effectively by small colleges, unwieldy. These and other factors that affect annual giving programs in public institutions are presented by Robert Ashton in Chapter 6.

A large constituency makes it essential to identify those alumni and friends who offer the greatest prospects for financial support and to focus effort and attention on that group. While this is an important strategy in all fund-raising programs, it is especially important in programs with large constituencies, where the development staff's attention can be easily diverted away from the best prospects by the problems inherent in working with large numbers. Major gift clubs, discussed by Donald Lemish in

Chapter 7, are a well-established strategy for all colleges and universities. They may, however, be especially important to large public institutions as a method for isolating the best donors and prospects from the masses and focusing cultivation efforts where they will be most productive.

In addition to size, there may be differences in the positions held by alumni of public institutions, although this requires some qualification and may be in a state of change. As discussed earlier in this chapter, many public institutions, particularly the state colleges, were for much of their history limited in the scope of their programs. As a result, many of their alumni entered the teaching profession and other fields not known for high salaries or access to wealth. Although state universities in the Midwest and certain other states across the country have always been viewed as the premier institutions in their regions and have provided generations of leadership, in many states in the East and elsewhere private colleges have traditionally been viewed as the primary sources of top corporate leadership. As a result of this tradition, corporation chief executive officers have historically been drawn primarily from private colleges and universities. Their natural interest in and support for their own alma maters has made it difficult in the past for public institutions to break into some important sources of support.

However, with the growth of public university enrollment since World War II, the expansion of their programs into virtually all fields, and, most importantly, the increasing quality of their programs, the next generation of business leadership will be drawn in greater numbers from the public sector.

Again, it must be noted that many of the state universities in the Midwest and West have always been sources of leadership for their states and industry. But nationally, the rise of public college and university graduates to positions of prominence is a trend that has recently gained momentum, following by 20 to 30 years the expansion of enrollment in the public sector that began in the 1950s. The Korean War veterans who flocked to public campuses in the 1950s are now assuming the reins of leadership in their own organizations, just beginning to acquire the wealth and power that make significant philanthropy a possibility. This augurs well for the future of private support to public higher education.

Although the author knows of no formal studies along these lines, it seems reasonable to suggest a life cycle or maturation process for fund-raising programs. Programs begin with an emphasis upon annual giving from the donors' current income, with broadening the base of support a principal objective. In a later phase, the tradition of annual giving has been well established among the institution's constituency and continues at a high level, while the development program's emphasis shifts toward the acquisition of major gifts and, at a yet higher level of sophistication, estate planning and deferred giving.

With the notable exceptions of certain state universities mentioned above, most public institutions appear to be in the annual giving phase or just entering the major gifts phase, with interest in deferred giving beginning to emerge. This progression in their programs coincides nicely with the general advancement in age and position of their graduates and offers further encouragement for the future of fund raising for public colleges and universities.

Because of their rapid growth in the 1950s and, especially, in the 1960s, many public institutions have alumni bodies that are relatively young, with large numbers concentrated in recent classes. In many cases, the graduates of earlier classes, who by age would be prospects for deferred giving, entered professions that were not financially rewarding and thus do not have significant wealth. Graduates of later years, who studied in the expanding and improving programs of public campuses and who have had financially rewarding careers, are only now approaching the age where estate planning becomes a serious concern. These trends suggest an enormous potential for public institutions and have obvious implications for the fund-raising strategies that must be adopted in the future. In Chapter 10, J. Robert Sandberg discusses planned giving programs at public institutions and gives special attention to young and small institutions just getting started in this area.

Again, trends offer not an opportunity for public campuses to increase support at the expense of private campuses, but an opportunity to increase overall philanthropic support of higher education.

The growth in public college enrollments in recent decades represented some shift from the private to the public sector, but primarily reflected the enormous growth in college attendance by the "baby boom" generation, many of whom were the first generation in their families to attend college. There are more college and university alumni in our nation today than a generation ago and thus a larger base for philanthropic support for higher education as the current generation matures. Since public campuses accounted for a significant portion of the increase in college attendance, they will likely continue to account for a significant part of the increase in giving.

Public colleges and universities differ from those in the private sector in the purposes for which they seek private support. While there are significant exceptions, public institutions have not traditionally conducted campaigns for capital facilities, these being provided through state capital budgets. Nor have public institutions, in general, emphasized endowment; they have focused instead on gifts to supplement current state appropriations, usually for specific purposes. Capital campaigns, a traditional technique in private college fund raising, are a relatively recent phenomenon at public campuses. While there are examples of successful institution-wide campaigns at public universities,

capital efforts at public campuses have more often been of the mini-campaign variety, focusing on a specific program or project with a relatively modest goal. In Chapter 9, Robert Rennebohm discusses the capital campaign as a tool for public colleges and universities.

An important difference between the private and public sectors lies in the priority that the institution and its leadership attach to development. Again, no generalization applies universally, but for most public institutions, private gifts represent a relatively small percentage of total revenues. Although private support is growing and has an importance beyond its magnitude in dollars because of the flexibility it provides, the fact is that public appropriations are likely to remain the predominant source of support for public colleges and universities. As a result, public sector presidents tend to devote more of their time to state relations than to fund raising and public institution development staffs tend to play less of a central role in their institutions than their counterparts in the private sector. This is, however, changing. Several state universities in the East have created new vice presidencies for development within the past decade, and even a casual review of The Chronicle of Higher Education reveals the continuing proliferation of such positions at public campuses across the country. But for the foreseeable future, relations with the state government will continue to be the lifeline for public colleges and universities.

Once again, things are changing rapidly, but in some cases administrators and faculty at public institutions continue to be somewhat uneasy with growing private support. There has even been a persistent fear among some that increased private support will merely be offset by reduced public appropriations. Studies done on this subject, including one in 1980 by Robert Gailey at the University of Massachusetts, have found no evidence that this has occurred. And some state legislatures have passed resolutions encouraging private support for public higher education and pledging that such support will not result in reduced appropriations. Nevertheless, some state institutions prefer not to highlight private support received or resources devoted to fund-raising staff or budgets. Some states prohibit public colleges and universities from spending public funds to support development programs. In these situations an independent foundation is the only reasonable approach.

In some states, law, policy, or simply the attitude of state officials, can seriously hinder public college efforts to secure private support. This is short-sighted indeed, since private support helps make available to the citizens of the state educational opportunities of a quality exceeding that available with state budgets alone. On the other hand, some enlightened state legislatures have adopted legislation that encourages and assists public universities in their fund-raising efforts. In Chapter 14, Constance Kravas reviews state laws and policies that

affect fund raising for public institutions both positively and negatively.

It seems likely that state governments will increasingly encourage their colleges' and universities' efforts to build partnerships with the private sector, especially business. With the emphasis upon development of clean, high-tech industry, colleges and universities are now becoming vital to their states' plans for economic growth. A ready supply of technically trained workers, cooperative agreements for research, and programs for the continuing education of their own professional employees are primary considerations to firms planning relocation or expansion of their high-tech facilities.

Public universities, as well as community colleges, have a distinct opportunity here. Their historic strengths in the practical sciences, engineering, and related fields, which in the past have sometimes encouraged disparaging references to state universities as mere "mechanical schools," now place these institutions at a distinct advantage as the largest sources of workers trained in fields most sought after by technological firms. Industries desperate for engineers, computer scientists, and other such professionals must seek closer ties with nearby public universities that can provide needed recruits in adequate numbers. With closer ties, corporate financial support is growing. And for state governments concerned with economic development, this can only be viewed as something to be encouraged. Thus, trends favor not only closer ties between business and public higher education but also between public colleges and universities and their own state governments, which increasingly view them as valuable assets in the competition for desirable economic growth. In Chapter 8, George Moore discusses corporate support for public higher education and emerging partnerships between industry and public colleges and universities.

Format of this book

The balance of this book is divided into four parts. Part II is concerned with organization for fund raising at public institutions and the fund-raising roles of various organizations and individuals. In Chapter 2, John Leslie discusses organization, an important consideration, especially for large and complex universities. In Chapter 3, Curtis Simic describes major considerations in raising funds through an institutionally-related foundation. A study conducted by Timothy Reilley conducted in 1980 found that 68 percent of all four-year public colleges and universities had established such foundations for fund raising, indicating that this has now become the norm. In recent years there has been growth in the number of foundations at community colleges as well as at four-year institutions.

In Chapter 4 in Part II Barbara Snelling discusses considerations in working with volunteers in fund raising for public institutions, and in Chapter 5, James Fisher, a former public university president himself, reviews the public president's vital role in the fund-raising program.

Part III of this book includes five chapters, each concerned with a specific strategy for raising funds in the public sector. In Chapter 6 Robert Ashton discusses annual giving programs, and in Chapter 7 Donald Lemish outlines the use of major gift clubs at public institutions.

Part III also includes George Moore's chapter on corporate and foundation support for public higher education, Robert Rennebohm's discussion of capital campaigns, and J. Robert Sandberg's chapter on planned giving, all of which were mentioned above.

In Part IV, authors consider four special topics. Public institutions have significant opportunities to combine public and private resources in creative ways that are largely unavailable to private colleges. This opportunity is particularly great in the area of faculty support, and in Chapter 11 Marion Peavey discusses varied approaches that public institutions take in establishing endowed chairs and professorships using private and public resources. While athletic fund raising is not unique to public universities, it assumes an important role at many major state institutions. Chapter 12, written by Ian Sturrock, is devoted to a discussion of approaches to athletic fund raising in public institutions.

Fund raising for public, two-year community colleges is a recent phenomenon. Because of the unique characteristics of these institutions and the unique opportunities they face, Chapter 13 is devoted to a discussion of this topic by Stephen Wise and Marlene Camper.

As mentioned above, state law and policies have an enormous impact, both positive and negative, upon fund raising for public colleges and universities. In Chapter 14, Constance Kravas reviews state laws and policies, both helpful and otherwise, and their implications for public institution development.

Part V comprises Chapter 15 of this book and summarizes the emerging public-private partnership in higher education.

Part II

Organization and Roles

Chapter 2

ORGANIZATION OF FUND RAISING AT PUBLIC INSTITUTIONS

by John W. Leslie

Fund raising at public institutions of higher education is an acquired art -- and, like most fund raising, it is an inexact art. State colleges and universities, except for a few with long-standing alumni funds, gravitated into seeking philanthropic dollars because state appropriations began to cover less and less of their educational budgets. Fund raising to them became a matter of necessity as it had been for their sister private colleges and universities years before.

Although most state universities are relative newcomers to fund raising, the practice has still developed to the point that one finds few professional differences among most well-run development programs at large state and private universities. Emphases are different and cases for support vary, but fundamentals of fund raising and management are quite similar. One must look at the underlying philosophy of fund raising for a public university to detect basic differences in its approach from that of a private institution.

Successful public university development programs raise money for educational program quality rather than for operations or expansion of existing programs. They seek to identify the public interest in programs and projects that need gift support to be successful. Philanthropy is used to "water the green spots," not just to keep down the dust. Except for "centers," "institutes," and some annual funds, most private gifts to public universities support specifics, not general operations.

The state legislature is responsible for basic support of the university's educational programs, and gift dollars should not relieve the state of this primary responsibility. Similarly, the state should provide construction, maintenance, and major renovation money for buildings that directly serve the basic educational mission.

Private gifts can be used to augment state construction funds, and this is done extensively. In fact, one of the most effective appeals for endowment or program money for a state university is that which offers to a major donor the naming of a building whose basic cost has been provided by tax revenues. But the university should not aid in relieving the state of its responsibility for basic funding of educational programs and buildings.

Underlying all fund raising for public colleges and universities should be the concepts of public interest and public service. The degree to which projects meet these criteria will determine their

fund-raising success. The public should not be asked to support the basics, either in programs or construction. But a solid case can be made for dollars that will enable the institution to build upon an already solid base.

From these introductory remarks, one might infer that fund raising for state universities takes on some sort of ethical tone. Although ethics should permeate all fund raising, the statements concerning purposes of gift dollars and cases for support reflect common sense and practical experience. They indicate that donors are willing to supplement legislative appropriations to help build upon an already-developed base or to venture into new territory. A state university is an exceptional resource for local, state, or regional growth. With few exceptions, its mission, succinctly defined, will not compete with that of its fellow private colleges and universities.

Organization of development programs

Analyzing the management and organization of development programs is difficult for both public and private institutions. One can gain a certain impression by looking at job titles. However, studying the organization chart sheds little additional light in most cases. Two vital ingredients fail to appear in either job titles/descriptions or organization charts: program emphasis and actual operational lines of command.

Program emphasis is probably the single greatest distinction between public and private institutional development efforts. For example, most private colleges and universities place primary focus on their alumni. But giving by alumni is not as pronounced for most state schools; quite often they are relatively new as major institutions or have expanded dramatically in the past two or three decades. In such cases, many alumni are young, only a few have achieved positions of commercial leadership, and fewer still have personally gained independent wealth. To overcome this alumni handicap, state universities have activated some of the most creative fund raising in higher education. As one development officer described it, "We made our own alumni," meaning that corporations, foundations, and nonalumni individuals offered the best prospect for near-term support.

Another example of differences in program emphasis is that most public universities tend to identify with the commercial strengths of their state or region -- as well they should. Such a focus also affects the fund-raising efforts by placing a greater reliance for support on the business and industrial community and their offshoots.

Generalizations are always risky, but a few statements to describe the "usual" organizational patterns found in state institutions might help to set the stage for a closer examination of fundamental considerations for the management of development programs.

Personal interviews and an analysis of directories and reports indicate that large state university fund-raising efforts have the school or college as their basic unit. In other words, development officers are assigned to specific colleges rather than being responsible for a support constituency -- foundations or corporations, for example. On the other hand, many smaller state universities and colleges follow the same support-constituency pattern prevalent in small and medium-size private colleges.

Enrollment and research orientation seem to affect size and organization of development staffs more in state institutions than in private. A number of excellent private universities successfully employ the basic constituency-oriented development organization; but in most large state universities (10,000 and above enrollment) the development staff has a complete college orientation -- or at least the beginning of one. In fact, many private colleges -- with small enrollments and a support constituency-oriented development program -- raise far more private dollars than their much larger state university colleagues, which have organized along a college base.

From these generalizations, it is possible to formulate a few guidelines. Before establishing an organizational plan, the chief development officer (CDO) of a state university should consider a number of factors. Among them are:

- * historical approach to fund raising at the institution;
- * results of a thorough analysis of institutional sources of support;
- * degree to which individual colleges seek gift and research funds;
- * volunteer orientation (to university or to individual colleges through alumni or associates-type committees);
- * role and degree of activity of a university-related foundation;
- * willingness and ability of university officials to participate in fund-raising activities;
- * geographical location and orientation; and
- * mission of the institution.

Few CDOs have the luxury of developing a fund-raising program at a major university from scratch. More often, they will have to build on an existing structure and philosophy. Nevertheless, changes occur constantly in higher education, and major management improvements substantiated with study and well-developed rationale can and should be implemented. Each CDO, whether or not new to the position, should periodically analyze both managerial approach and organization. It is too easy to get caught in the "this-is-the-way-we've-done-it" rut. Admittedly, few institutions would want to make dramatic changes from one year to the next in either approach to or organization of fund-raising activities, but analysis and willingness to consider change constitute irreplaceable strengths. Major changes can be

successfully implemented over time, but only through careful analysis and planning.

In all likelihood, no one organizational approach will be utilized completely. Most universities will combine several patterns and add their particular style to the mix. It is important, however, that good reasons exist for the various management and organizational approaches.

Centralized or decentralized management

One of the most controversial questions in higher education administration is that of centralized versus decentralized management of the university's fund-raising programs. Little or no research has been done on the subject, and emotions often interfere with an orderly and productive discussion of the topic. Each side seems to assume automatically that it will lose both amount and control of gift dollars were the other to "win." A systematic analysis of the subject should dispel many of the bugaboos on both sides.

For purposes of this discussion, let's define centralized development management as the process that places the ultimate determination of funding purposes and implementation decisions under the control of the university's CEO, chief executive officer (president, chancellor). In most cases, a chief development officer reporting to the CEO is in charge of operations. Pure decentralization would place complete determination of funding projects, prospects, and procedures in the hands of many units of the institution with minimal or no control exercised from the CEO or CDO. Rarely does either approach exist in its purest form, in spite of the polarized positions taken in much of the debate on the topic.

More important for CDOs than establishing doctrinaire positions is being certain that, regardless of organizational approach, the following fundamental factors are recognized as important by the institution:

- * academic goals for the overall university, not just its component parts;
- * high professional standards in all university development activities;
- * quality control of fund-raising programs;
- * maximum encouragement of creative efforts to gain private dollars; and
- * an orderly process for identifying, cultivating, and soliciting prospects.

Neither heavy-handed stifling of deans and other administrators nor a laissez-faire attitude is conducive to effective fund raising. Deans should look to the development office for professional expertise and competent staff support. They are the ones to formulate the academic program for their college, but

presidents and chancellors must see that program elements are consistent with the overall goals of other units and of the university. No institution has sufficient resources to fund every academic center equally. Difficult decisions have to be made in allocating all institutional income, especially that derived from philanthropy. Academic programs, and even other university activities, should not be continued or discontinued just because of their relative gift income support potential. If the ability to attract gifts were to become a criterion, it might not be too long before some of the humanities would disappear from university curricula.

In determining ultimate authority and control of resource allocation, one must remember that:

- * Gift income from a community or for any one university is not finite.
- * New programs can open new funding sources.
- * Those persons with modest fund-raising experience tend to look to obvious -- but overworked -- sources of support, thereby failing to broaden the university's philanthropic base.
- * Successful fund raising is the result of systematic hard work over a number of years.
- * Sound organizational procedures will not make up for inexperienced, unqualified personnel, nor will capable people be able to operate most effectively in ineptly designed and administered systems.

The development of basic policies and procedures, combined with an effective, efficient, central services component, can make any university fund-raising organizational structure more productive. One of the policy statements must deal with formulation and approval of principal projects for funding. Such a statement will help both deans and chief administrative officers direct the focus of the university's academic programs. Without sign-off requirements as the project moves up the administrative ladder, faculty, department chairs, or deans may fragment university focus into a multitude of directions, thereby reducing resources and diminishing results. Because a funding source exists does not mean that a project should be pursued; we learned this after the golden days of federal funding in the 1960s and 1970s.

In addition to an academic approval process, chief development officers must have established guidelines to assess the gift potential of projects and programs. Deans, presidents, and chancellors determine academic priorities, but development officers must indicate the degree of private funding possible

along with a fund-raising strategy. To assist in making a gift-support appraisal, development officers should ask the following questions of each project or program:

- * What is the case for support?
- * How much money is required from private gifts?
- * What is/are the expected source(s) of support?
- * Who benefits?
- * Who will provide leadership and volunteer support?
- * What amount of professional staff support will be required?
- * If a fund-raising budget is necessary, what is its source?

The answers to these questions will help determine any conflict or overlap with current fund-raising efforts. They will also help maintain the discipline necessary to operate an effective university-wide development program. Fund raising cannot and should not be overly regimented in a complex state university, but splintering resources (faculty, staff, and support money) and proliferating appeals to the same or overlapping audiences will reduce effectiveness.

Large universities should also have policies that establish the protocol for approaching prospective donors. The matter will be covered in more detail later in this chapter, but without such procedures, fund raising would be chaotic. The purpose of equitable protocols is to determine which project is most likely to obtain the maximum potential gift from the particular prospect. The foregoing list of questions will help, but policy directives are needed to assist in sorting out the day-to-day problems.

Of all the factors that can help determine fund-raising feasibility, sufficient availability of qualified prospects and capable volunteers are probably the two most important. A systematic, professional review of prospective donors to a project will immediately indicate likelihood of success, possible overlap in establishing giving patterns, outstanding proposals from other components of the university, cultivation required, and, if necessary, level and number of volunteers needed for effective solicitation.

In the long run, the most effective and efficient management approach is a university-wide system that assures:

- * stimulation of academic creativity;
- * philanthropic aggressiveness;
- * systematic review of private funding sources and institutional resources; and
- * a constant challenge to both prospective donors and volunteers.

To summarize, public universities should not spend time worrying whether a centralized or decentralized system is best suited for them to attain maximum private dollars. Neither is desirable or

possible in its purest sense. Effective fund raising is not fostered in a chaotic state any more than are good teaching and research. Maximum gift dollars will depend on enlightened leadership and sound professionalism from presidents, chancellors, and chief development officers.

In the management structure, presidents, chancellors, and deans are responsible for development of academic goals and the necessary educational programs to achieve them. The CEO is the ultimate arbiter.

The development office should not be put in the position of making academic decisions de facto. CDOs at large, complex universities know this problem well. To the degree that academic officers refrain from or prefer to make educational program decisions, development staff will, through attempting to help enterprising faculty and deans, give fund-raising assistance to the wheel that squeaks the loudest. This wheel may or may not be the one that best meshes with the university's overall goals. Enterprise needs to be rewarded, but not at the expense of institutional mission and goals.

Fund raising in a large university is generally most effective when organized on a college or its equivalent basis. To the extent possible, there should be a central campus development budget whose ultimate approval lies in the hands of the chief executive officer in consultation with the chief development officer. Although reporting administratively to the CDO, each development officer works directly with the dean/chair/director who is responsible for determining projects and programs for which private funding will be sought. This procedure will improve solicitation timing and help avoid multiple or excessive requests. The CDO's responsibility is to make certain that development plans agreed upon with the various academic or service units are carried out. Through this management procedure, all parties concerned have a stake in both the success or failure of fund-raising efforts. The development program thereby becomes an integral part of the university with its success of concern beyond the fund-raising staff.

Multiple solicitation: A fact of life in a large public university

There is an old fund-raising adage that says, "Let the prospect say 'no' for himself." While still valid, the aphorism, expressed literally, would result in a chaotic development program that would alienate some major donor prospects and at the same time omit others from solicitation.

Multiple solicitation is a necessary and generally desirable fact of life at large public universities. Individuals, corporations, and foundations have a variety of interests, and most manifest this fact in their pattern of philanthropy. Systematic prospect research will indicate donor interest areas and at the same time

assist universities in making their development programs more productive.

To increase gift income, state universities must separate appeals for annual support from special project funding requests. For example, most large corporations or foundations will not provide unrestricted money to the institution, but they will support one-time special projects in their interest area(s) as well as provide annual operating money for internal organizations such as centers, institutes, and theatrical groups. Many universities have found that they raise more money through designated projects than by requesting only unrestricted contributions; they encourage alumni to designate their annual fund gifts toward scholarships, a specific college, or other university entity. It is becoming increasingly difficult to raise unrestricted dollars, particularly those that are to be placed in a large pool thereby losing their identity. By appealing for funding of projects, programs, or internal public service and educational entities, universities can tap multiple interests of prospective donors while avoiding the impression of excessive solicitations that unrestricted appeals may cause.

Most corporations and foundations, particularly those with a strong interest in the particular university, want to know the priority that the institution attaches to a particular request. Most will understand that it is often impossible or politically difficult for a public university CEO to rank projects, particularly ones from different colleges. In these cases, the university must be honest with the prospective donor. It should state clearly its preferences, or the fact that the submission of the new proposal does not in any way indicate that this proposal is more important than the request previously submitted. Such a statement, or a variation thereof, would indicate that both projects are important. Should funding for both not be available, the foundation or corporation may have a particular preference. Working with the foundation or corporation in a straightforward manner on a major grant request will pay dividends in the long run.

Management of fund raising in a university system

The "system" approach in higher education has expanded greatly in the past two decades. Over a third of the states have some form of one or more geographically separated entities combined under one administrative head. Powers, titles, and purposes vary, and no one approach provides a model. The same is true of fund-raising activities within a system.

Most systems have academic or political rationales, be they good or bad. The development organization need not mirror either the academic or financial affairs approach. But whatever the administrative structure, fund raising for a state university entity within a system should be predicated upon the specific

case for support as well as the availability of sources of support and volunteer leadership.

Fund raising has to be coordinated within a university system to the degree that prospects and volunteers overlap. Systems with components in various parts of the state, which have essentially their own bases of support, need minimal, if any, coordination. If institutional affinity and sources of support overlap, a centralized development system probably would be appropriate; but superimposing a "system" approach will not increase identity, loyalty, or educational competency.

Too much central control by the system office will stifle fund-raising initiative. Smaller, less diversified components will suffer in the shadow of their sister campuses. It must be remembered that those closest to the need can make the best case for support.

Each component of a system should have its own development program staffed to the degree its gift potential justifies. If there is little overlap of support constituencies, the CDO should coordinate reports to the respective campus CEO. On the other hand, if constituencies (excluding alumni) overlap, coordinated planning and implementation with the system development office are much more important. In either approach, all system components should handle their own alumni programming and fund raising from alumni. Emotional ties are with the local campus, not the system.

Central support services is one area where system offices can assist campus development efforts. Maintaining a professional gift records operation is an expensive undertaking. But in this age of the computer, such a function can be centralized, and there is no reason that local autonomy -- forms, acknowledgements, etc. -- cannot still be maintained. Likewise, other informational data bases can be centrally maintained with access available to the various campuses.

Internal relationships

Successful fund raising is inextricably tied to the university's communications, alumni affairs, and public relations programs. In some institutions, these functions are centrally managed under one person; others have independent management for each area; and still others employ various combinations under one person. It would be difficult to say that any one pattern predominates, even among universities that raise large amounts of private gifts.

Most CDOs would probably prefer to have management authority over communications, alumni affairs, and public relations in addition to fund raising. They experience daily the dependence that their development efforts have on effectively coordinated efforts of the other departments, which, as a matter of fact, are not nearly as dependent upon one another as fund raising is on them.

However, coordinated planning and implementation are not attained solely by a single-manager system. On the contrary, there are a number of major universities with successful fund-raising programs that have separate directors for each of the functions. They succeed both because they are staffed by competent people and because they work together.

If a CEO chooses to have the individual functions report directly, and the alumni association is an independently incorporated body, each of the slots will require a higher degree of managerial ability and professional competence than if one of the persons were given overall management responsibility. There are many competent professionals who can do an excellent job of implementing a program. Unfortunately, many of these people have neither the experience nor the disposition to assume the added responsibilities of a manager: planning, maintaining program integrity and discipline, budgeting, directing personnel, and so on. In other words, the CEO will want either:

1. one manager (a person with professional skills who also is competent in planning, implementing, and evaluating alumni, communications, fund-raising, and public relations programs) to direct the efforts of a group of professionals, or
2. persons directing each of the functions who are not only professionally competent in that function, but who also have the ability and disposition to plan, evaluate, build staff, handle personnel utilization, develop budgets, and move a program forward.

Obviously, finding people necessary for the latter approach commands the CEO's problems. But, once these persons have been found and hired, the CEO still must either coordinate their efforts, which requires professional knowledge, or accept whatever plan or approach they work out.

Fund-raising management structure and organization should fit both the institution and the personnel available. From a pure management approach, placing the four principal functions mentioned earlier under one person is quite sound, assuming that person is qualified. But the efficiencies of a centralized system will not compensate for the inexperience and unpreparedness of a person thrust into the position before he or she is ready. Universities must also be careful not to create top-heavy bureaucracies. There should be just enough management to provide direction and sustain movement.

Most alumni organizations at state universities are independently chartered bodies; not all are financially independent. Various administrative procedures have grown up, and no pattern exists. Some executive directors report to an alumni board, others to the university CEO. A few report to the chief development or university relations officer. Membership dues are fairly common,

but many of the alumni associations are not involved in fund raising. A number conduct their own communications program while others receive the assistance of the university staff.

Regardless of the formal administrative relationships, alumni and development staffs must work closely together. Alumni support of public universities must increase dramatically in the years ahead, and by more than just percentage participation in the annual fund. State universities are a community and regional resource and will continue to attract the interest and aid of civic-minded citizens, but alumni will have to provide more of the principal thrust. Both alumni and fund-raising staffs have to work together in identifying and developing leadership for significant service to the university over the years.

Chapter 3

THE PRIVATE FOUNDATION AT A PUBLIC UNIVERSITY

by Curtis R. Simic

Institutionally-related foundations -- private, not-for-profit corporations closely aligned with public colleges and universities -- have been around for over half a century. Some exist in name only, others serve merely to invest funds raised for the institution, and still others are highly active in many ways to benefit the parent institution.

From the development officer's point of view, the foundation is a tool to be used in fund raising. It is not the object of philanthropy itself but a mechanism through which gifts may be solicited, received, managed, and administered for the benefit of the object of philanthropy, the college or university.

From a legal point of view, a foundation is a private corporation organized under section 501(c)(3) of the Internal Revenue Code. It exists separate from the college or university, but its only reason for existence is to conduct activities for the benefit of the institution. 501(c)(3) organizations exist in conjunction with many charitable organizations, including colleges and universities. The principal common feature that concerns us is that contributions made to the foundation for the benefit of the charitable organization are deductible for federal income tax purposes. In most cases, such contributions are deductible for state income tax purposes as well. When the organizers file for their charitable and tax-exempt status, they delineate the purposes for which they intend to utilize the foundation. State regulations vary considerably, and of course, they, too, must be followed in order to qualify for deductions. As a result, the rules of the local jurisdictions must be examined closely when one is filing for such an organization.

Why a foundation?

The first question that might come to mind for a college or university is "Why would anyone want or need such an organization?" After all, the college is a tax-exempt organization qualified to receive gifts under state and federal statutes. Why then would a public university be interested in a private organization to do what it can already do? There are essentially two reasons to set up such a foundation. First, it gives greater flexibility in receiving and managing gift income. Second, the organization and operation of the foundation give additional opportunities for volunteer involvement. Let's look at each reason in some detail.

State legislatures are increasingly eager to reduce state budgets wherever they can. In some states, the legislatures are looking at the total gift dollars that come to the public university and contemplating reducing by an equal amount, or by at least a part of that amount, the university's appropriation. There can be no greater disincentive for a donor than to have his or her gift wind up in the public central pool of university funds, which is what a reduction in appropriated dollars would accomplish.

Donors, large donors in particular, are good stewards of their own assets, otherwise they would not have large sums to contribute. Normally, they make gifts because they believe in the institution and believe in a particular program within an institution. One of the questions such donors ask is, "Why isn't the state fulfilling this need?" Once that question is answered, it can be made clear that such a "donated" addition can make the difference between a good, basic educational program and one that achieves real excellence. Giving gift dollars merely as a substitute for state tax dollars holds little charm for the major donor who already feels the substantial bite from state taxes.

In addition, many states require that various inflexible policies and procedures be applied to the expenditure of state funds. Such procedures are perfectly appropriate where public tax dollars are concerned; the rules exist to prevent misuse of public funds. But unfortunately when donors give money for use by the university, this money becomes subject to the same rules and regulations that apply to appropriated dollars. These rules and regulations greatly hamper the flexibility of an institution's chief executive officer. Consequently, the foundation, a private corporation existing under state and federal laws but outside the state's jurisdiction with regard to expenditure of funds, has at least three advantages.

First, the foundation can protect contributed dollars from encroachment by state legislatures. Generally, the state auditor cannot audit or be involved in any way in the private foundation. State officials, by their interpretation of regulations, generally do have the right to require that a certified audit be done and filed with the state department of higher education or the university system's board of regents.

Second, the foundation provides needed flexibility. Often the chief executive officer of the college or university needs to seize upon opportunities in order to move a program with dispatch. If state funds to take advantage of these opportunities have not been appropriated and are not available, the university may miss the opportunity -- to attract a first-rate professor, for example, or to launch a timely research project. But because the foundation's assets may be applied at the CEO's discretion with the permission of the board, the institution can move ahead to seize these fleeting opportunities.

The third and perhaps most significant reason for setting up a private foundation is the opportunity for volunteer involvement. A foundation offers another vehicle for people of influence and affluence to become deeply involved with the university. In a number of states where a state board of regents or a board of trustees oversees more than one campus or university, the board has almost no effectiveness in fund raising. Board members cannot become advocates for a single university. As a result they treat all colleges and universities in their system in an even-handed way and, as a board, stay out of fund raising totally, although individual board members can be of some help.

On the other hand, the foundation whose only reason for existence is to advance a particular college or university offers significant opportunities for involving wealthy or influential individuals. In effect, the foundation board gives the college or university the opportunity to turn outsiders into insiders. It is not enough merely to put people on committees and ask them to function in some fairly minor way. Busy people with the capacity to make and influence major decisions want to become involved in making managerial or fiduciary decisions. A foundation trustee once told me, "If the job you have in mind for me can be handled by the ribbon clerk, leave me out."

While every donor to a college or university becomes an investor and therefore is interested in what happens to the institution, those volunteers who are charged with the management or the advancement of some aspect of the institution become its greatest advocates. All development officers seek to utilize the good offices of the "movers and shakers" in fund-raising programs. Movers and shakers can give big gifts. Not incidentally, they have the leadership and managerial capacity to propel an organization forward, by understanding institutional objectives and devising mechanisms that will achieve those objectives. The foundation staff must understand the director's involvement does not end with his or her gift. If that happens, foundation directors will not be around long and the foundation will lose their talent and, eventually, its priority in their philanthropy.

Such deep involvement does not come without its price. Conscientious directors will not allow unjustified and unauthorized expenditures. Because they are prime catalysts in raising funds, they expect to be primarily involved in seeing that the donor's intent is followed to the letter. The thought of having to go to yet another board for expenditure authorization probably causes some university chief executives to shy away from moving a foundation into high gear. However, because of the two factors just discussed -- flexibility and involvement -- CEOs of many major institutions have accepted that obligation. It makes essential the immersion of the foundation board in the mainstream of university thinking. Directors must know why a particular direction has been taken. They must understand the priorities of the university and how each fits into the master plan designed to move the institution ever closer to achieving its potential.

Only then can they be totally enthusiastic about taking the case to their peers as a worthy investment.

This immersion provides another very important interface with the campus, too. Faculty members always worry that development officers might promise something in exchange for the gift, something that could encroach on their academic freedom. A good development officer would never do such a thing, but the faculty and often the unenlightened administrator would like to have the money and never have to see the donor. Consequently the closer the beneficiaries of philanthropy are to those seeking support for them or making the actual gifts, the less the chance of misunderstanding and the greater the chances for continued support. A foundation board should continually seek faculty and administrative input and involvement in a variety of ways. This relationship influences the very structure of the foundation at the interface with the university.

Structure of a university-related foundation

There seem to be two basic models of the foundation's relationship to the university. All others appear to be variations.

1. The largely independent foundation. In the first model, the foundation's board of trustees does not include officers or trustees of the university. The executive director does not have a dual title within the university and reports directly to the foundation trustees, not reporting through any university officer such as the vice president for university relations or even the president of the university. The president of the university, of course, helps to set the fund-raising priorities for the foundation, particularly if it is functioning as the development office for the university. However, those priorities are not automatic; they must be accepted and approved by the foundation board of trustees prior to being implemented. The university president has to request the use of unrestricted gift dollars and the foundation board must approve the request before the funds can be expended. Generally, the foundation generates the entire operating budget in this situation.

2. The more integrated foundation. In this situation, the foundation is tied formally into the university's mainstream. The foundation board of trustees often includes members of the university's board of trustees or regents. University officers also are included on the board of trustees, generally as ex-officio nonvoting members. The idea is to involve them, but retain an arm's-length relationship with the foundation.

The foundation seeks to be independent because the state could claim jurisdiction and expenditure authority over foundation assets if it is governed, even partially, by university employees. Hence, the ex-officio status of university employees. University trustees, on the other hand, are not usually

compensated for their service, making them volunteers to the state, and hence they can simultaneously be full voting members of a foundation board.

In most cases the vice president for university relations is the principal liaison between the university and the foundation, but the president of the university, the academic vice president, and, in some cases, the financial vice president also are included as ex-officio trustees. In some situations, however, there is not a great concern about the arm's-length relationship and so officers of the university are included as regular voting members of the foundation trustees. In one case, the president of the university chairs the foundation board; in another the president heads the executive committee of the foundation.

The executive director of the foundation normally carries two titles: executive director of the foundation and director of development for the university. He or she reports within the university to the person responsible for fund raising or outreach. Most often this is a vice president for university relations or a vice president for institutional advancement. In this model, the university consults fully with the foundation board in appointing a director of development since that person serves as executive officer for the foundation. The foundation trustees recognize that they are so closely aligned with the university that it would be counterproductive for anyone but the university's designated director of development to lead their operation.

It seems more productive for the director of development to report through the external vice president, rather than directly to the president. This ensures that there is a true supervisory relationship with the university for the development function. In a large university where staff not on the vice presidential level report directly to the president, he or she will devote considerable time to that particular program. If the director of development reports to the president, that means the president is going to spend many hours raising private funds. In public universities this is generally not the case, except during a capital campaign. More often than not, the president spends a disproportionate amount of time dealing with the legislature to garner public support. In a private university, of course, where one of the president's primary tasks is fund raising, he or she is expected to spend a great deal of time with the development officer so the chief development officer reports directly to the president.

The interface with the campus

An important aspect of the foundation's relationship with the university revolves around its interface with the academic units. The success or failure of a foundation, to a large extent, depends on whether the academic units trust its staff. In a large university where many people are making many contacts with

corporations, foundations, or individuals, poor working relationships would be counterproductive. Consequently, the deans need to see the foundation staff as their development staff and not build their own programs outside the foundation. When a foundation develops a program without the close involvement of the academic units, they see it as a free agent, using the university name to raise money for its own purposes.

The long-range planning function for an institution normally does not reside in the development office but if that particular function is not being carried out, the development officer must push for such a program. The reason is simple: The development officer should never be seen as in any way deciding fund-raising priorities for the academic program. This will happen by default if the development office is not receiving specific direction. Consequently, the long-range planning and priority setting must take place even if the development office precipitates it. A surprisingly large number of great universities do not have long-range plans.

Foundations raising restricted money for the campus units -- again, at a public university, the largest portion of the funds raised will be restricted -- need to develop a close working relationship with those individual units. Otherwise, fund raising may become decentralized. In itself, this is not harmful unless it results in poor or no coordination of donor solicitation. Consequently, the development staff must consult the individual units to coordinate development program objectives, cultivation procedures, fund-raising modes, and recognition programs.

Beyond that specific kind of interface, it is helpful for the foundation to involve the faculty, either as ex-officio members of the board itself or as active members of various committees. For example, the investment committee is always viewed with great interest. In most cases, a faculty member or a dean will see the endowment fund is returning only 6.5 percent when he or she knows that money market certificates return 10, 11, or 12 percent. If that is all that dean knows, he or she will speak disparagingly about the foundation's management and erode confidence in the foundation's ability to manage money. It is therefore useful to have a dean or a faculty member on the investment committee so that he or she understands that the 6.5 percent that is being paid out is in addition to the growth of the portfolio. And so, when the 10 or 11 or 12 percent payout of the money market is compared, it should be compared to both the expendable yield and appreciation in the portfolio. Beyond that, it is useful to have the faculty involved in planning various campaigns, in selecting outside counsel for capital campaigns, and in other ways that help them understand the foundation is indeed an office functioning directly and specifically for them.

When the foundation develops its budget, its operating costs are always, in one form or another, taken out of the money raised. If

people on campus feel that the foundation is heavily involved in programs that are not essential to the university or that do not fit into the academic priorities, then they will feel reluctant to pay "overhead" on gifts that are contributed for restricted purposes. The only way to combat this is to disseminate full information about programs and why they exist. Trust is the most important commodity that the foundation has to sell both to potential donors and to the campus. Without that trust, either donors won't contribute funds or the campus will feel those funds are being solicited for purposes other than the institution's priorities.

In expending funds, the foundation staff must guard against being perceived as making academic value judgments. For example, suppose the foundation has X dollars that can be applied to the academic priorities of the institution, and various deans, department heads, or individual faculty members are invited to apply for those funds. The foundation must take great care to see that it involves the academic side of the university in the distribution. In every case the person who does not receive funding will feel the people who read or heard the proposal simply didn't understand how important it was and therefore were not qualified to make a judgment. In most cases, executives and staff of foundations are not academics. They come to their positions through different routes and, therefore, they are vulnerable to criticism if they make academic decisions. It is equally important not to put the foundation's board of trustees in a position of making academic judgments. This will raise at least as much ire among faculty members as having the foundation staff do it.

Making these kinds of judgments should reside in the academic vice president's office. A faculty committee could be formed to assist the academic vice president in making such decisions. This committee could include members of the foundation board as well. In this case, applications for funds would be made to referees who are qualified to make judgments in applying always-insufficient resources to a tremendous number of worthy projects. In this kind of committee structure, there is a great deal of participation in the deliberations, both on campus and from within the board of trustees, resulting in a greater awareness of the institutional thinking, direction, and priorities. The kind of information that can be brought back to a board from its participating trustees will be illuminating. At the same time, if the campus, faculty, and academic vice president see the foundation as being made up of people who go out and raise the money and leave its spending to the educators, they will view the foundation favorably.

Another way to handle unrestricted funds is merely to make block grants: One to the academic vice president to be applied for academic purposes and one to the president to be used where he or she sees the greatest need. Very often this is venture capital that allows the CEO to move the institution forward more rapidly

than normal because he or she will be able to take advantage of unusual opportunities. In either case, the board should not adopt the posture of having to approve individual expenditures. Rather, guidelines consistent with institutional priorities should be written and presented with the grant itself to the president or the academic vice president with the proviso that the principals will report back in general terms how the funds were used.

Occasionally a foundation executive and a board will forget that their only reason for existence is to support the institutional objectives, not to create them. They must constantly remember that very few people would contribute to the foundation if it were not aligned directly with the university. The interfaces between it and the university can help to avoid costly misunderstanding.

Funding the operational costs of university-related foundations

Probably the most difficult issue facing a foundation affiliated with a public institution is that of funding the operation. Since one of the purposes of the foundation is to keep gift dollars separate from state-appropriated dollars, it seems somewhat incongruous to use state funds to solicit gifts. Some state legislatures and some university boards are more sensitive on this issue than others. As a consequence there is no universal pattern on whether or not state funds can be used to fund the operations of the foundation. In preparation for writing this chapter, I attended a meeting that included foundation executives from Connecticut, Colorado, Iowa, Arizona, California, and Oregon for the specific purpose of discussing how individual foundations are funded. It seems that there are an infinite number of combinations, but there are only a dozen or so basic approaches. Each institution settles on the combination most palatable for its constituencies. Here are the common approaches.

1. Where possible, direct institutional funding of the fund-raising operation is a simple and clear way to ensure its existence. This approach guarantees that 100 cents of every donated dollar goes where the donor intended -- to the direct benefit of the university or a program within the university. This in itself is reason enough to seek nongift revenues for funding.

In some situations, it has been possible to fund staff salaries but not 100 percent of the program from the state funds. Because a foundation is labor intensive, this approach allows for the lion's share of costs to be handled by the state. More and more frequently, we are seeing constituency fund raising -- fund raising from graduates of a particular college within the university for the benefit of that college and not the university as a whole. To make sure that some central coordination exists, the staff people working in this way should be joint appointments of the foundation or central development office and the parti-

cular college. The budget is usually also on a 50-50 basis. The staff person reports to the dean of the college but his or her work is subject to joint approval by the CDO and the dean, and solicitations are similarly regulated, particularly where major donor prospects are concerned. In this situation, operational costs, i.e., postage and printing for direct mail, telephone costs for phonathons, and travel for personal solicitation, come out of gift income. This approach allows the university to keep the percentage of the gift used for fund-raising costs to a minimum while not having to cover the total costs with state funds. Of course, all types of variations are possible.

2. The use of unrestricted gift dollars to cover all fund-raising costs is possible, even for restricted gifts. Usually the donor implicitly is placing trust in the directors of the foundation and the university to make the decision on how best to use his or her gift. If using it to raise more dollars is the decision, so be it. However, we fund raisers are rather clever at extracting unrestricted dollars, partially because we have had to cover our costs in this way.

I believe if a donor thought 100 percent of his or her gift were being used for fund raising, there would be some consternation. The exception is with our closest friends, usually on the board, who have been solicited for unrestricted gifts for just this purpose. Nonetheless, I believe most donors would like to think they are contributing directly to the educational enterprise by allowing the president to buy a particular piece of scientific equipment or to purchase a rare library collection. Since the unrestricted dollars are so precious to the president, it is an unhappy circumstance when they are all expended for fund-raising costs rather than used as opportunity capital.

Another major pitfall of using unrestricted gift dollars to fund the operation, whether of a foundation or an in-house development office, is that this puts the development office in direct competition with every school or college on the campus that seeks restricted support. (It has always seemed poetic justice to me to have the dean of the business school, who had complained to me about my staff's raising unrestricted dollars, come seeking advice on how to handle the chair of the accounting department who wants to solicit the big eight accounting firms for unrestricted departmental support.) The pressure on the development staff requires that their first request of a potential donor be for unrestricted support. This sows the seeds of discontent all around the campus.

My bottom line here is, "Don't use all of unrestricted gift income to support the operation." At the same time, using a portion of such funds is both unavoidable and defensible.

3. The university may contract with the foundation -- and pay it -- to perform functions that would have to be handled by state employees if the foundation did not exist. For example, every

university wants to keep up-to-date addresses and biographical information on its graduates for a variety of reasons that are appropriate in the state's eyes. The issuing of regular communications on a variety of services and programs is essential for continuing education, a large portion of which is necessary for renewal of licenses and credentials. Every land-grant college with an extension program must see that its knowledge is distributed to the people of the state. Certainly the university wants to communicate with its graduates on legislative matters. In the days of declining student-age populations, sons and daughters of graduates are prime candidates for enrollment. Letting alumni know you want their qualified sons and daughters is a high compliment to them and a necessary element of any recruitment program.

Alumni records costs have to be borne somewhere. Why not hire the foundation staff to maintain these records with the proviso that all other communication departments have access to the lists, within guidelines?

Effective solicitation requires sophisticated market segmentation, a large portion of which is based on past giving records. Why not have the foundation keep those records under contract to the university? Capital campaigns are often funded up front, so why not contract with the foundation to conduct them?

Personnel, materials, computer time, and office space all can be supplied by the foundation under contract.

4. Direct costs of every fund campaign can be recovered directly from the proceeds of the campaign. There is no reason not to cover printing, travel, staff time, and mailing from gift funds generated from the effort.

5. A "tax" on every restricted gift dollar can be levied based on some aspect of costs to produce, process, or administer a gift. Care must be taken here to close "alternative" loopholes such as depositing gifts directly to a nonfoundation account to avoid the tax. If alternative accounts exist, deposits to them must be taxed in exactly the same proportion.

6. Short-term interest on all current-use restricted funds (not contributed for endowment purposes) can be a source of substantial revenue. Here again the same rules must apply to all gifts, regardless of whether they are deposited in foundation accounts or other accounts. Every prudent institution sees that gift dollars are invested in maximum-return vehicles until they must be expended for the donor's restricted purpose. The earnings can be applied to operating costs while every cent of every gift dollar is used as designated by the donor. The individual program beneficiaries would like to have these funds too, but operating costs have to come from somewhere. Some foundation directors have paid over short-term interest on demand to more knowledgeable deans and not to those who do not ask for

it. This is a questionable practice. Whatever the rules, they should be applied uniformly to the shrewd business dean and to the often-less-informed dean of arts and sciences. (Incidentally, there are some financially shrewd humanities people and not-so-well-informed business deans.)

In some situations, the university and the foundation merely make a policy decision not to budget or spend any gift funds until the following year and hold the earnings to meet operational costs. Regardless, treat everyone the same and make sure all parties know the ground rules.

In sizable capital campaigns, it is often possible to fund a large fraction or all of the campaign costs from short-term interest on early pledge payments. Payout on pledges is hard to forecast, but conservative planning can keep the foundation from going too far into debt or charging too high an overhead cost to the campaign.

7. A direct charge can be made on endowment funds for the management services beyond actual management costs. I am aware of two basic approaches, and there must be many variations. In one case, the foundation makes a direct annual assessment, based on a fixed percentage of the corpus of the endowment. In the other case, the foundation retains a share of the income its endowment produces. In the latter, one university foundation keeps 1/8 of the income earned and 1/8 of the portfolio's appreciation while paying over 7/8 of income earned and crediting 7/8 of appreciation to the beneficiary fund. Again, it is very important that all parties -- from donor to dean -- know exactly what the foundation is doing and why. Published investment policies and procedures are a must for every campus. Among other advantages, this lets the professor of geology, who can get 11 percent on certificates of deposit, know that the 5 percent payout for expenditure must be added to portfolio appreciation before judging the endowment's performance.

8. Some institutions now make a flat percentage charge against all matured bequests regardless of their purpose, restricted or unrestricted, endowment or current use. I believe this is justifiable because the amount of staff time and effort can be substantial when the planned giving officer "courts" a potential benefactor over a period of years. At least one and often both are long gone when the foundation receives the bequest proceeds. That means the process was "deficit financed" and should be paid for when possible. The concept makes sense but, of course, the percentage charged will vary. I suggest both be checked out with local jurisdictions before implementation.

9. When the foundation acts as the development office, it can make a charge for each transaction -- accepting and receipting gifts as well as disbursing them for use within the donors' intent. Where there is direct funding for the receipting and recording functions, this approach would have to be modified. An

analysis of these functions reveals them to be very costly. Considering staff, materials, computer time, and office space, the University of California, Berkeley has calculated that each transaction costs approximately \$11.

10. Some institutions have calculated their costs in the total development program and make a pro rata charge against all income to cover costs. This brings every program of the foundation under close scrutiny. After all, since "they" are paying for it, shouldn't they have the right to critique it? I believe "they" do have that right within reason, but I believe just as strongly that no one can please all critics. In nearly all of these alternatives but especially in this one, the highest institutional authority sooner or later has to say, "Because that is the way it is!" Usually it is tough to get away with that kind of logic in a university.

11. In research foundations, costs merely come out of grant overhead. Where federal grant funds run through the gift-seeking foundation, it is possible to cover some of the overhead of fund raising by utilizing grant overhead. This practice is defensible where the same people perform administrative functions on income regardless of the source. However, with tighter federal guidelines on grant administration and with the researchers whose grants generate the overhead clamoring for more and more to be returned to their home departments, this will be increasingly difficult to depend on as a significant source of operating revenue for the foundation.

12. Finally, there is royalty income from patents or copyrights. Most universities think that, because few great commercially marketable discoveries were made on their campus, this is not a source of income for them. Don't dismiss royalty income too quickly. Take a look at the rules under which research is conducted on the campus to see who has which rights. If the university has no assignment rights, see if some provision along this line can be made. The technicalities of how to get this going are not my forte, but with books being written every day by professors and university labs turning out good research, this alternative should be explored. Of course, if the foundation expects to share in the fruits of a faculty member's labors, it should be prepared to do some up-front funding, patent work, or other kind of facilitating.

No single model is like any other because no two states and no two institutions within a state are the same. That means each institution has to consider these thoughts along with others to put together what will work for it. A foundation can make an important contribution to the total development program. But remember that the foundation is merely a tool within the development program; it is not an end in itself. The end is always improvement of the educational process at our institutions.

Chapter 4

WORKING WITH VOLUNTEERS

by Barbara W. Snelling

The involvement of volunteers lies at the heart of all institutional advancement. Once an institution has decided that active outreach to multiple constituencies will contribute to advancing its mission, volunteers become essential as they interface with those constituencies. Whether the institution is public or private, some advancement objectives simply cannot be accomplished without volunteers' commitment. This holds true whether the purpose of the outreach is to develop a supportive external environment through better communication of the institution's mission and objectives, to encourage the executive and legislative branches of state government to respond favorably to appropriation requests, or specifically to develop additional resources from the private sector. Positive, in the sense of proactive, constituency relations requires the use of volunteer representatives of those constituencies.

Volunteers are valuable for many reasons and serve in many roles, but the essence of their value always stems from the fact that volunteers believe in a cause and want to be a useful addition to something that is bigger, more important to society than they could ever be alone. In the best of circumstances, they act on behalf of that cause, not because of any self-serving interest but because there is a need and an opportunity for service. Through this commitment, they validate the worthiness of that cause and encourage the belief and involvement of others. By lending their own personal reputations, they provide credibility and respectability to the endeavor. They speak with a conviction that comes from their voluntary association with the cause, and, consequently, their contributions of time and money carry a compelling sincerity available no other way. In the case of institutions, unlike John Alden's experience with Priscilla, it is almost always more effective to have someone else speak on your behalf.

In addition to this unique asset of authenticating their cause, volunteers provide an effort multiplier that is invaluable in and of itself. No institution could afford to pay for the services that volunteers give freely, even in the unlikely circumstance that paid staff could be an effective substitute. Volunteers also bring enthusiasm, energy, advice, new ideas, and a fresh perspective. They provide a personal communication link with the larger constituency they represent by extending the institution's reach in telling its story and asking for support. If the selection and recruitment process has been handled carefully, the volunteers, in their role as outsiders who have become knowledge-

able, participating insiders, can be enormously influential with the broader constituency.

The recruitment, motivation, management, and recognition of volunteers require special attitudes, skills, behaviors, and procedures. Private institutions that are successful in advancement understand the crucial value of volunteers and their need for a fulfilling role and are willing to invest heavily in welcoming their participation in order to develop strong, lasting relationships with their volunteers. Successful public institutions are no different in this regard and have learned that volunteers are worth the effort.

While the basic motivation of volunteerism is one of the finest human emotions, volunteers, in order to stay enthusiastically engaged in working for their institution, need to feel that their involvement is vital and that their actions are a valuable contribution. They need to feel enfranchised with a role in making institutional policy. However small, this role must be a legitimate sharing in the decision-making process. From the institution's perspective, this is an opportunity that is given in exchange for the valuable, irreplaceable contribution that volunteers can make. Institutions not experienced in working with volunteers frequently find this exchange the most difficult to understand and hard to accomplish. It is, nevertheless, essential.

A related aspect of volunteers' motivation is their need for self-governance. While the actual involvement in institutional policy-making may be small, except for boards and top leadership councils, the volunteer structure must be organized so that there is a large measure of self-determination. The institution must believe in the premise that ultimately the best policy decisions and actions of a volunteer group will come from the education, involvement, and responsibility of a volunteer board. It should be given full exposure to the problems, but also the opportunity to work out solutions freely with full authority. This practice will pay tremendous dividends in volunteers' commitment and accomplishment. Maintaining tight control over volunteers is counterproductive, but this is also something that is difficult for public institutions, which are new to the volunteer process, to understand.

Volunteers function at every level of the institutional structure according to the importance of the activity to the institution's mission. For example, in private institutions, the board of trustees is the key group of volunteers. For all institutions, there may be foundation boards, presidential advisory councils, visiting committees, development councils, alumni boards, annual and planned giving committees, alumni program committees, institutional relations committees of all kinds, and more. The list of possible uses is endless. This volunteer interaction with the institution must be planned in advance with care and a clear understanding of the proper roles and functions of

volunteers in relation to administration, faculty, and staff. As a general rule, the volunteer structure should be organized so that volunteers are reserved for those roles that either provide a specific valuable opportunity for a service to the institution or provide the institution a needed interface with the broader external constituencies that the volunteers represent.

Volunteer interaction with the institution can occur in many ways. While some form of organized board, committee, council, association, or group is usually most effective, unaffiliated individuals can be effective in certain circumstances. A key business executive, community leader, legislator, or member of a professional association, without being formally affiliated with an institution's volunteer structure, may provide a valuable communication link for the president or board of trustees. Also, volunteers, serving as individual representatives of their constituency group, may sit on primarily internal institutional committees, such as planning, program review, or search committees. These volunteers are usually active in the formal volunteer structure. Certainly there are also many donors who have a very personal, individual relationship with the institution, but for the most part, volunteers, who are giving their time and talents, function most successfully in carefully planned and structured groups. Proliferation of volunteer committees without clear purpose is a common error made by institutions that are newcomers to volunteerism and anxious to speed the process. Such proliferation can be damaging. When volunteers are organized and left with nothing to do, they become frustrated and annoyed. Of equal importance is the fact that faculty and staff will be critical and more resistant to volunteers in the future if volunteers are unproductive, whether it is their fault or not.

A good staff-volunteer leadership relationship is a partnership in which both sides understand the significant but distinctly different role that each plays. As a general rule, volunteer boards plan and set policies and goals, and staff has jurisdiction over implementation. While these distinctions may sometimes be difficult to determine, they are important principles to follow.

For different levels of the volunteer structure, different institutional officers serve as staff. The president, with appropriate back up, is the responsible staff member for boards of trustees, institution-wide advisory councils, top development councils, and certain public relations councils. The external relations vice president, the deans, the director of development, the alumni director, and the directors of the annual fund and planned giving may all function as staff to volunteer boards and committees. It is important that all of them know how to manage the volunteer and staff partnership. The professional recognizes and understands the contribution and value of the volunteers, and the volunteers recognize and respect the knowledge, experience, and accountability requirements of the professional. The relationship works best when based on mutual trust and open

communication. The volunteer's trust must never be violated. His or her gift of time should be treated as having exceptional value. The volunteer must have all relevant information and must never be asked to do anything in the name of the cause in which he or she believes that will compromise beliefs or detract from the long-term best interests of that cause. It is the professional's responsibility to define the volunteer role in terms of the institution's mission and needs; to supply logistical support; to educate, inform, and train the volunteer. The professional is also responsible for making certain that the institution encourages the volunteer through cooperation, appreciation, and recognition.

When an institution initiates programs involving large numbers of volunteers, the investment and maintenance costs as well as the benefits should be fully anticipated. An adequate budget for programs and competent, experienced staff form the necessary basis for building a strong volunteer organization. This is an essential ongoing part of an institution's commitment to strong constituency relations. Whether an institution is public or private, there will be a definite correlation between the investment made and the results achieved. It should also be noted that relationships, once begun, must be maintained and not subjected to fluctuations of support and interest.

Differences between volunteer involvement in public and private institutions

There is absolutely no reason why volunteers cannot be used in as many valuable and imaginative ways in public institutions as in private ones. Ample evidence exists in public colleges and universities throughout the country that boards of trustees can function well in almost all of the same roles that are traditional in private institutions -- and even in some additional roles that are specific to public institutions.

Nevertheless, there are significant obstacles to building successful volunteer involvement in those public institutions that have never developed volunteer support. These must be consciously addressed. The most difficult obstacles are not inherent in the legal nature of the public institution but stem primarily from a lack of understanding of the unique value of volunteers, the roles in which they can be most effective, and the institutional adaptations needed to encourage volunteer involvement.

Strong institutional commitment is the single most important element needed to overcome these obstacles and transform a desire for good constituency relations into a reality. Unfortunately, this commitment is often lacking, because there is little confidence that the benefits will be worth the investment in money and effort. A defeatist attitude makes it easy to rationalize that the particular circumstances of a public institution -- its newness, its high percentage of commuters, the

low income of its students, or its lack of tradition -- will preclude the enthusiastic involvement of volunteers. This can be a self-fulfilling prophecy.

There is also the suspicion that reaching out to the private sector might compromise the public image of the institution and damage its all-important relations with state government. Even though evidence at other schools indicates that this does not need to be a problem, the concern persists.

The inevitable consequence of these concerns is that frequently only a token, tentative effort is made to test the premise of using volunteers. Even while staff is hired and budgets (usually minimal) are allocated to initiate programs that require volunteer networks, top administration tends to allot inadequate leadership time to the new venture. There may be two reasons for this. Administrators may fear being too closely associated with failure. Or the tremendous pressures they feel may make them unwilling to divert their attention from the certain, major source of support -- state government -- to the less certain, lower potential of private support. For either reason, the result is the same. Strong constituency relations require the personal involvement and leadership of top administration, in particular the president. Deprived of this guidance and symbolic acknowledgement of their vital importance to the institution, volunteer organizations cannot thrive.

Another internal obstacle is even more difficult to resolve. This is the already-mentioned and not surprising institutional resistance to even the most carefully limited participation of volunteers in the decision-making process. Those who are required to share some portion of their control by consulting with volunteers tend to feel threatened, whether they are the appointed board of trustees, the president, the deans, the faculty, or the administrative staff. While the practice is integral to the tradition of most private institutions, it represents a difficult attitudinal change for those institutions that have, throughout their history, been focused solely on state support. Seeking the support of the private sector becomes somewhat akin to willingly accepting a second master. Gaining this acceptance for volunteer participation not only requires commitment and skillful guidance from the president but also understanding from the board. The president must proceed cautiously while volunteers are given the chance to prove their responsibility and worth. This process is complicated by certain of the legal restrictions on public institutions.

The fact that in public institutions the board of trustees is usually appointed or elected through a political process extraneous to alumni, parents, and friends presents two handicaps in the context of volunteer involvement. First, the top rung of the volunteer's career ladder is, in effect, removed. A responsible, dedicated volunteer cannot anticipate a position on the board of trustees as a natural consequence of his or her dedi-

cated service. This removes the opportunity for a volunteer to have full legal participation in determining the future of the institution and is a handicap, in comparison to private institutions, to building a strong volunteer organization.

The second problem is the fact that politically appointed or elected boards tend to focus their attention either on their advocacy responsibilities as liaison to state government or on their management responsibilities as caretakers of the institution on behalf of the taxpayers. They rarely, on their own, see any responsibility for serving as the leadership of the institution's volunteer structure. For this reason, the volunteer organization is deprived of the leaders who are the traditional built-in volunteer role models of private institutions. This circumstance is even more dramatically apparent for those institutions that are governed by a system-wide board of trustees, members of which can have no allegiance to any particular institution or campus.

A public institution constantly faces the question of why support from the private sector is needed, considering large tax support. This issue, almost as real in establishing the first volunteer organization as it is in actual fund raising, should be recognized in advance. The case must be made that there is a valid purpose and an urgent need for the volunteers. Alumni, parents, and friends who have been ignored or neglected by the institution and considered unimportant to its destiny for a long period will need to be convinced that there is truly a strong and sincere case for their involvement. If the institution recognizes this and is sincerely committed to the involvement of volunteers, preparing the justification for this involvement will not be difficult.

Solutions

Fortunately, the fact that an institution is public presents no obstacle to involving the private sector that cannot be overcome, given reasonable time and a sustained effort. If the president is keenly aware of both the need and the potential benefit, the venture will receive the requisite institutional support. While no single blueprint is right for all institutions, there are several excellent alternatives from which to choose. The most critical first step is to determine the structure of the board or advisory council that will provide leadership policies and direction to volunteer activities. In the volunteer structure, this board will serve in lieu of the volunteer board of trustees in a private institution. With regard to the private constituencies, the board or advisory council will function in very similar ways to the trustees of a private institution, working with the president to build an institutional development agenda.

If the public institution is fortunate in having its own board of trustees rather than being governed by a state system, it is frequently possible to persuade a nucleus of trustees on that

board to form a subcommittee for alumni, development, and public relations. If a process of careful selection and education is followed, the trustees who are members of this subcommittee may agree to serve as institutional advocates for the involvement of the private sector, and provide guidance to the external relations programs. They may even be willing to participate in the programs as key volunteer leaders. This can be a useful link to institutional governance for the volunteer structure, giving legitimacy to volunteer programs that might not otherwise exist. This is true even if an institutionally-related foundation becomes the primary vehicle for fund raising.

A foundation is necessary in some states either to finance fund raising or to receive private gifts. Even when there are no legal restrictions, establishing a foundation may be the best way to acquire the organizational structure that enfranchises a prestigious board of volunteers. This board, working closely with the president, can then be used to provide leadership for all of the institution's private development activities and can become the top rung of the volunteer career ladder.

There are other possible ways to create opportunities to involve volunteer leaders in prestigious positions. These may be institution-wide presidential advisory councils or may be advisory councils, visiting committees, or the like for separate units of the institution such as academic departments or the professional schools of a university. These are all excellent methods for gaining valuable advice and counsel while involving influential members of the external constituencies.

It may sometimes be difficult to identify the right members for these boards, councils, and committees. In an institution that has been identifying, training, and cultivating its volunteers for many years, there are readily identifiable prospects who have earned the right to these prestigious positions through their commitment to volunteer leadership or their monetary contributions. A public institution new to volunteerism must choose among prospects who have demonstrated their leadership and generosity in other ways, perhaps for other philanthropic causes. The membership, if at all possible, should include an ample portion of those external constituencies who are closest to the institution and already have an allegiance to it -- alumni, parents, and existing friends.

One quality of any successful volunteer group is as essential as it is difficult to define. The membership of any volunteer committee must have an effective relationship with the larger membership of the constituency with which they will be working. They must not only "know the territory" and be familiar with the formal and informal structural systems. They should also know and be known by the decision makers, and be considered peers and equals by those with whom they will work. Otherwise they will be unable to succeed. While this is most obvious in fund raising, it is equally valuable in other forms of volunteer activity.

Whatever it is that they will ask of others, they must have demonstrated their own willingness to perform. A person who has been either a generous donor or a generous volunteer worker will be most effective at fund raising or getting others to sign up for work.

The formation of an alumni association with its own board and committees is the first step in building the volunteer base. The alumni body, even for the relatively new institution, will eventually become the most valuable volunteer resource. The investment in research and systems to compile complete, accessible alumni records will bring its own growing reward in volunteers and in contributions. It is never too late to start this essential project, but it should be done immediately, once the decision is made to form an alumni association.

Two alumni programs, in addition to fund raising, provide a recognizable and immediate service to the public institution and, simultaneously, provide an attractive training ground for new volunteers: an admissions program and a career advisory program. While the former is a longstanding tradition in private institutions, it has only recently been adopted by public institutions. It can serve a useful function in the current competition for students, even for those institutions whose admission requirements are minimal.

The alumni career advisory program, a significant service for students, can begin the cultivation process as students move into the alumni ranks. It is also a program that alumni enjoy in all of its many variations.

The organization and cultivation of parents has long been overlooked as a resource for most public institutions. Those few who have launched serious programs, however, have been successful. These programs include special attention to parents at student orientation events and parent weekends, good ongoing communication, and the organization of a simple volunteer structure used primarily for fund raising. Research to identify volunteer and donor prospects and staff support specifically for parent relations are basic requirements. Activities and events for parents probably should be arranged in conjunction with alumni programs, although some separate identity for parents should be maintained.

Using students as volunteers is an excellent way for a public institution to introduce the future alumni to the fact that the institution needs voluntary support. Students, with their energy, idealism, and enthusiasm, can be particularly helpful in community relations, state relations, and development phonathons. Their "on the scene" knowledge of the institution also means that students as speakers, panel members, or performers are good program material for regional alumni gatherings, service clubs, and other public relations opportunities. Organizing students for self-solicitation can follow naturally at a later stage.

The organization of volunteer structures among friends of the institution may be the most difficult to contemplate in the abstract, since there is no readily identifiable affiliation. There are several possibilities, however. One of the most common and successful uses of friends groups at public institutions is related to the fans and supporters of athletic events. Similar groups of friends can be developed among those who attend the cultural events of an institution. With purpose, structure, and organization, these groups can provide good two-way communication with the community and a new source of private support.

Community relations committees, composed of influential community leaders, require more of the president's time and more demanding efforts in program and communication planning than do athletic or cultural friends committees. This volunteer effort, however, is particularly valuable for a public institution in creating a favorable and supportive community environment. This effort should be given proportionately more attention than would be needed for a private institution because, for a public institution, service to the general public should be a part of the basic mission.

For public institutions, the logical extension of good community relations is good state relations. Volunteers from the private constituencies of a public institution can become extremely effective in influencing the outcome of state budget decisions. In the classic sense discussed earlier, they lend credibility to validate the urgency and worthiness of the institution's request for appropriations. There are several ways in which they can function. Lobbying for an institution is an obviously sensitive and complex area, deserving careful planning and preparation. Some of the following activities may be acceptable for certain member institutions of state systems, but all are worth consideration. All activities related to lobbying must be orchestrated to reinforce the institution's official presentations to state government, but the message of volunteers carries a force of its own. All members of the legislature can be hosted by students and other volunteers on campus for a specially designated legislators' orientation day. Legislative committees can be invited to campus for special presentations of legislative requests. Individual legislators can be invited for occasional athletic and cultural events or included in committees.

Community sponsors can arrange and host receptions and banquets in the state capital or during legislative recesses in the various regions of the state. One-on-one meetings with individual legislators and community or alumni volunteers can be useful to present the institution's position on specific issues. Telephone calls and occasional letters can be instrumental in votes on key legislation. Students can host legislators for campus events or provide their perspective on institutional needs directly to legislative committees. These are just a few of the innumerable ways in which volunteers can assist in state relations.

Examples of volunteer activity

The following, more detailed examples suggest different ways in which volunteer committees can be used most effectively for multiple purposes in public institutions.

An urban, regional state university, sensing the need for a more highly trained area work force in a specialized industry, organized an advisory council of regional corporate executives to assist in research, planning, and implementation. The executives responded with enthusiasm, helping to design the educational curriculum that would support their industry. This was accompanied by offers of adjunct faculty, needed equipment, and contributions to support the hiring of an exceptional faculty. When it became known that state government was considering a major grant to establish a similar venture, the executives lent their influence and prestige to the effort to attract the state center to "their" campus. This is an excellent example of the benefits that can derive from the effective involvement of volunteers.

A state university, with no history of volunteer leadership in raising large amounts of money, organized current and past members of the politically constituted board as the fund-raising leadership for a capital project. Recruited for the task were those board members who were successful in business and who had been involved in volunteer work for other philanthropic causes. They were charged by their chairman with making their own leadership gifts and soliciting leadership gifts from their nontrustee business colleagues. The chair started the drive with his own gift and the campaign for the capital project was a success. This example provided the confidence for the launching of other major fund-raising ventures. Support from the private sector took a sharp upward turn that has been sustained.

A rural, regional state college, looking for supplemental income to improve educational quality, decided to organize alumni and development programs. Recognizing that top leadership and an institutional development agenda were both lacking, the college created an ad hoc committee for long-range planning. This committee was composed of alumni, faculty, staff, and regional business executives and legislators. The planning process had a multiple payoff. It not only helped to define a development plan and a strong case for giving to the institution, but also helped to identify and involve good prospects for a foundation board. Offers of equipment and dollars came from the business executives. The legislators, for their part, expressed their pleasant surprise as to the quality and depth of the educational program and also expressed their agreement that the college had valid needs that the state was not meeting. There will still be rocky moments ahead but this is the beginning of a success story in the involvement of volunteers.

A state university decided that the state legislature was not sufficiently aware of the urgency of its needs and that, consequently, its appropriation requests were getting decreasing attention. It organized, county by county, a state-wide council of alumni, parents, legislators, public school administrators, and other influential friends. As a top presidential priority, this council was kept informed about every aspect of the university including its finances. County and state meetings were held to share information and to ask the council's advice on student recruiting, curriculum, student activities, and any other area that the council selected, no matter how controversial. The council's advice was followed whenever possible. A newsletter kept membership informed on current university activities and issues. When the next appropriation request seemed threatened, members of the council organized student and council visits to legislators in their own homes as well as regional receptions for legislators. The appropriation fared well. This is now just one piece of a successful legislative relations program that also uses volunteers in several other ways. A regional variation of this council could be useful for regional institutions.

These examples are just a few of the myriad ways in which volunteers have successfully advanced the objectives of public institutions. The many public colleges and universities who have for years been effective in the whole realm of institutional advancement provide many more examples. The dollars that these volunteers raise frequently surpass the achievements of private institutions in their region. The support that these volunteers have given to their institutions in community and state relations may not be as easy for an observer to assess, but it is tremendous. No evidence could be more conclusive than this that public institutions can be positioned effectively to seek support, simultaneously, from the private and public sectors. No evidence could be more demonstrable that public institutions can adapt and learn the value of involving volunteers.

Chapter 5

ROLE OF THE PUBLIC COLLEGE OR UNIVERSITY PRESIDENT IN FUND RAISING

by James L. Fisher

George Keller tells us in his widely read book, Academic Strategy, that "a specter is haunting higher education: the specter of decline and bankruptcy." He goes on to remind us that "experts predict that between 10 percent and 30 percent of America's 3,100 colleges and universities will close their doors or merge with other institutions by 1995." Those who believe that the prosperity of the 1960s and 1970s, when federal aid and state appropriations for higher education grew even more rapidly than the number of prospective students, will return, are playing a dangerous game of "ostrich." To cling to the hope that public colleges and universities will somehow be immune from the financial difficulties that assail our private institutions is a denial of reality. Such thinking will cause public institutions to be unprepared for the next decade.

Clearly, state and local governments, most particularly in the industrial states of the Midwest and Northeast, are not in a position to increase or even maintain current funding levels for education. We have already seen signs of these cutbacks everywhere. Taxpayers are unable and unwilling to underwrite the large and growing costs of education. Legislators know this, and the shift in public priorities makes educational institutions, which are dependent on public funds, vulnerable. The gap between bottom-line need and the government money available to meet that need is growing.

What can be done? What alternative is there to federal, state, and local monies? Private funds. The future of most institutions, whether they be public or private, is going to depend on the success and effectiveness of their development programs and their ability to raise private dollars.

Presidential support and attitude

The cornerstone of any successful institutional fund-raising program is presidential support, commitment, and leadership. Regardless of how busy the president is (and all presidents are on a grueling schedule), he or she must find the time and energy to devote to development initiatives. For, to its many publics, the president is the institution and, with rare exception (Harvard, Stanford, and the like), must be the star. This holds true for every president, whether he or she is modest or expansive, prefers a high profile or a low one.

But presidents, particularly public college and university presidents, often lack the professional background to fully appreciate this important area. Most come from an academic milieu where fund raising is associated with the local community chest drive and where the prevailing attitude is one of skepticism coupled with cynicism and ignorance. Quite simply, a change in attitude must be the first order of business for all new presidents. Only then will they and their institutions be more fully appreciated and their development programs begin to produce results.

The president personifies the institution. As the chosen leader, he or she is the one individual who must have a clearly defined vision for it. But to be successful, this vision must be communicated in such a way that the aspirations of the entire community are permanently altered. And the president must work to see that those heightened aspirations are not only understood but embraced by the trustees and regents. When the president's vision and aspirations become their's, they not only adopt the same goals but accept responsibility for the outcomes. Forging this relationship is a vital ingredient to the success of the program and, indeed, of the presidency itself.

Board members' role

Because the president must work closely with the board and depends on the cooperation and support of each of the trustees, it is to his or her advantage to have the board composed of individuals who want to be involved in fund raising and are capable of doing it effectively. In fact, one of the major responsibilities of a private college president is the building of a good board.

Unfortunately, presidents of most public institutions have little or no influence over the composition of their governing board. Their trustees are usually elected by the public or appointed by the governor (or other elected officials) as a reward for past service. Therefore, trustees at public colleges and universities are sometimes less interested, less committed, and less influential than their counterparts at private institutions. Their actions are often significantly influenced by political, business, and personal factors.

This situation is most prevalent on multi-institution, public boards. The individuals on these boards are often disinterested and underqualified. The president will not be able to get the necessary help, support, or appropriate application of influence from this board. For this, as well as a number of other reasons, more and more public institutions are creating institutionally-related foundations and using the foundation board as the "working board." (More on this later.)

The orientation and education of trustees are just as important as their selection. It is the president's job to see that this

process begins immediately after the individual accepts the position. For once on the board, the trustee will remain there for a long time. It therefore behooves the president to make converts of them as early in their terms as possible.

Trustees should be exploited (and I mean this in the best sense of the word) for the good of the institution. The president should make it clear when new trustees take office that he or she intends to exploit them. Although some trustees will be in a better position to contribute financially than others, each individual should make a monetary contribution (in addition to the contribution of time and talent). The board chair and president must make it clear that any member who does not "give" as well as "help get" is unworthy of the trust.

To be successful at fund raising, a president must learn to ask -- sometimes asking for money, sometimes asking the right person to ask for the money. People generally give because of the individual who makes the request. Certainly donors must believe that the cause is important as well as support the institution and its mission, but these factors are not as important as the person who asks. Sometimes the "right" person is the president; other times it will be the development officer; but often it will be a person similar in background, status, and influence to the potential donor. Use trustees and friends of the institution who have already been solicited to ask others. They can often raise more money in less time than will result from the grandest case presentation the president or staff could make.

It always comes back to the president. The president is the person with the vision, who inspires donor confidence, who creates the climate in which the fund-raising activities take place. The ultimate responsibility for fund raising cannot be delegated to the staff, the board, or the foundation board. To believe otherwise is to indulge in an enormous self-delusion that will ultimately harm the institution.

Creating foundations

I mentioned earlier that public college and university presidents often use institutionally-related, private foundations to generate private resources. Although this practice is becoming increasingly necessary, particularly for schools with multi-institution boards, it is usually not as effective as the program that has trustee fund raisers. Whether or not there is a foundation, members of the governing board should, at the very least, be asked to give. (In fact, one or two of those trustees should also serve on the foundation board.)

In creating a foundation, the early involvement of professional expert counsel is important. To bypass this step because of economy or other reasons will likely slow down the process and result in a much less effective foundation. The objectivity and expertise of the consultant can go a long way to assuring a

foundation that will help the institution raise the money it so desperately needs.

One further caution: Be sure that the board members selected for the foundation realize their fund-raising responsibilities. People often think public institutions don't need private funds; they don't think they have to give. And as we've already established, many presidents don't know how to or don't like to ask. (They postpone asking until "after the prospect has been educated.") If this approach is used with the members of the foundation board, the president will end up with a group of wealthy, influential individuals who don't give enough or at all. And if the foundation board becomes too independent and begins to function autonomously (always a potential problem), the president will end up having to petition yet another board for the support the listless fund-raising program so badly needs.

Assessing the development effort

Another responsibility, particularly for the newly appointed president, is to assess the development effort -- both the people and the program. The most effective way to do this is to work with an experienced consultant. First, look at the record. (If there isn't one, change must be quick and dramatic.) Once the institution's position and potential have been determined, it is time to take a look at the third component of the fund-raising team -- the staff.

Obviously the president cannot do the fund raising alone. The staff can be the most important (and is certainly the hardest working) component of the development team. Building a strong, qualified staff is vital, and the process begins with the chief development officer.

At most institutions, development or institutional advancement is a line division that reports directly to the president. It is terribly important that the right person be selected to run this division. He or she can mean the difference between an average or distinguished presidency and, for many institutions, the difference between success and failure. Regardless of a person's paper qualifications, the president should not select someone in whom he or she has less than full confidence. Certainly this should be a person of quality with good management skills and a strong fund-raising record. And even more so than at a private institution, the vice president needs to be someone who will fit in well with the local aristocracy and work effectively with the political hierarchy. But he or she must also be flexible enough to adapt to the president's style. Personal chemistry is important.

After the individual has been selected, he or she should carry the title vice president and be assigned all advancement functions. In this way, all those activities will more likely be evaluated in terms of their bottom-line results, whether in terms

of funds raised, state appropriations secured, or students recruited. This is not to imply that every activity should be reduced to a dollar income, but this grouping will force all those concerned (particularly the president) to pay more attention to the conversion of communication and friend-making activities into dollars and cents for the institution.

Once the development function has been made a line division headed by a vice president, steps must be taken, particularly at a public institution where development activities are usually not accepted as being totally necessary, to establish this division as an equal partner on the university team. It was George Rainsford, then president of Kalamazoo College, now president of Lynchburg College, who said it so well in Francis Pray's Handbook for Educational Fund Raising:

Since status in the academic world usually comes through academic achievement, the president must be conscious of his responsibility to support the morale and status of the development office in the academic community. The best development officers are accepted as important members of the community rather than viewed as hired guns who will move to the highest bidder.

Budgeting the development program

The next area of responsibility for all presidents is particularly difficult for presidents of public institutions -- budgeting and finding monies for the development program. The adage, "It takes money to make money," is equally true if you say, "It takes money to raise money." But in times of tight budgets -- when a good development program is even more important -- the bureaucrats and politicians who regulate the purse strings are even less likely to allocate monies for these activities.

But the development program budget is well worth fighting for. Even though it may take several years to begin producing results, the return will be far greater than the investment. And the results, more than those of other areas of the institution, are clearly measurable. The program is either raising money or it isn't. If, after three or four years, the investment is not producing results, it is time to take another look and ask some hard questions.

Developing strategies

The institution is now ready to develop its fund-raising program and set both short- and long-range objectives.

While I began with the subject of building a development program to raise private funds at public institutions, I do not want to separate this activity from the total educational enterprise. For it makes no sense to think of fund raising as an end unto itself

-- an isolated entity. Raising private funds must be an integral part of the whole financing plan for the institution. Because public institutions get a large portion of their budgets from government, "playing politics" must be part of the plan. How well an institution fares during budget hearings will depend, in large measure, on how its president deals with the politicians, bureaucrats, and people of influence.

Dealing with prospective donors

Identification comes first. Those individuals in the external community who have money and power and are in a position to help the institution must be identified. This local aristocracy, made up of wealthy and influential people, is the most important group to cultivate. Once the president becomes identified as a member of the hierarchy, he or she will ultimately have an advantage that not even the governor, the media, or the trustees could provide. For essentially, he or she will be among the community's leaders -- both social and economic -- who understand, respect, and support the office of president (unlike most politicians, trustees, and journalists).

The president, regardless of background, should conduct himself or herself with dignity and grace in order to be most effective. Never should he or she be obsequious or display discomfort when among the community hierarchy. To do so would inevitably result in social isolation.

Unless the president comes from the local aristocracy, he or she should have the advancement staff compile a "who's who." Each entry should comprise useful information about the subject, such as education, politics, family, and so forth. This type of background information will greatly reduce the tensions of the first meeting. With this "who's who" prepared and learned, the president can now cultivate these people in relaxed and problem-free settings. Only after the president has developed a strong relationship should he or she begin to ask for anything specific. This means spending numerous evenings attending civic functions, lectures, concerts, and athletic activities as well as spending precious but healthy hours on the tennis court or golf course. A president must possess a social dexterity and a sincere interest in doing these things if he or she is to be successful.

One of the best ways for an institution to attract the interest of the local aristocracy is to offer the type of cultural and athletic events that would appeal to them. Arts balls and exhibits, special events, speakers and performances, major tennis tournaments are but a few of the possibilities. (And several of these activities also generate additional revenues.)

Meals provide an excellent opportunity to meet with members of the hierarchy. Breakfasts are the best, though luncheons and dinners are almost as suitable. Generally, a president should

extend luncheon and breakfast invitations and accept dinner invitations. Until the president has become secure in his or her office, dinners will rarely attract the truly important people, and he or she will have wasted much valuable time and institutional money entertaining faculty, staff, and friends.

By far, the best way to establish good relationships with others is on a one-on-one basis in the most informal and relaxed of settings. I've found that by holding breakfasts in the presidential boardroom, I was able to establish many valuable relationships with important people. Usually I invited the guest to arrive at some time between 6:30 and 9:00 a.m. I prepared breakfast, with the help of a good assistant, who then disappeared by the time the guest arrived. Once I had seated the guest, I would pour coffee and then point out the reading materials beside the breakfast plate (the morning newspaper on the bottom and my most important message on top). At the suitable time I served breakfast, and the conversation would proceed naturally to the informal agenda set by the pile of materials the guest had looked through while I finished preparing the meal. The guests were impressed that I had taken the time to cook, and all thought that the breakfast invitations were great. My breakfast guests ultimately became the institution's most constant supporters and contributors.

Among the wealthy and powerful, politicians and public figures are probably the easiest to cultivate. Their positions are subject to the varying attitudes and opinions of the public and so they are acutely aware of the college or university president's access to the public sector. Few members of a general assembly are influenced by the importance of a case to an institution or its president. However, if you present the case in terms of its importance to the public (the same people on whom the politicians depend), you will invariably win in the public arena. The key, then, is to gain the support and confidence of the general public.

For influencing politicians and public figures, newspaper columns or articles and television and radio appearances can be extremely beneficial. A president will find that he or she has more public influence (at least perceived public influence) than even local politicians and publishers if he or she can arrange a regular three-minute radio commentary on the most popular local stations. When the president calls, people listen.

When your college or university is planning a major event that will have a large audience, invite public figures along. They will enjoy the activity and will always appreciate being introduced. In addition, people on campus will be impressed that their president can attract such noteworthy individuals.

Not until you enter the public domain and are known and perceived as someone to be admired will politicians respond to you with something other than rudeness and condescension. Once a

president becomes a "somebody," then attitudes will suddenly alter (or at least seem to) and the institution's budget will pass more easily through the legislative committees.

The successful fund-raising program at a public institution is a subtle blend of friend-making and political cultivation. More so than in any other area, the president must take the leadership role if his or her presidency is to succeed and the institution is to thrive.

Part III

Strategies for Fund Raising

Chapter 6

ANNUAL GIVING AT PUBLIC INSTITUTIONS

by Robert R. Ashton

Annual giving plays a fundamental role in educational fund raising -- a role which differs between private and public universities. Before discussing those differing roles, however, we need to establish some common definitions.

Let's define annual giving programs as recurrent requests to alumni and others for contributions to an institution from their current disposable income. We aren't asking for a substantial commitment from property holdings, investment portfolios, savings, or estates. We are asking that the alumnus or friend take a look at his or her budget this month and consider giving a portion of the "extra" to his or her alma mater. This definition deliberately suggests that so-called "annual" giving programs may well solicit alumni and friends for more than one gift during the year, since the disposable income from which the gift is sought is refreshed each month.

Goals for the annual giving program

If the annual fund at a private university represents a "living endowment," what does it mean for a public university? Annual giving will probably never surpass in size the "living endowment" of state support (although the flexibility of unrestricted gifts makes each private dollar more valuable to the institution than several state dollars, which come wrapped in red tape).

There are two realistic goals that can be applied to the annual giving program of any public university. First, the annual fund should generate a pool of prospects for larger gifts. Second, an active and successful annual fund should build a climate of support for the university that embraces prospective major donors as well as political leaders and others whose support and advocacy will make a difference to the university.

For young annual giving programs at public institutions, a third goal can be set -- that they not lose any money. That is, that they rapidly expand the donor base and identify potential larger donors without costing the university anything beyond what it raised. For more mature annual giving programs, of course, which are cost-effective because they solicit a population with a higher percentage of donors, dollar goals can be set that reflect real income for the university.

For the public institution, the word "annual" in the name of the program should not suggest that it operates on a year-to-year basis. The institution's relationship with its alumni and

friends, which is affected by and reflected in the annual giving program, is a growing, changing relationship. A development officer at a public institution should have a clear idea of where he or she wants this relationship to be five or ten years from now, and plan the steps to get to that point. It is by attainment of each of these steps, and the ultimate goal, that an annual giving program should be measured, not by some financial objectives unrelated to this long-term goal and divided into arbitrary 12-month units.

If an annual fund is still basically immature (say, less than 15 percent of alumni participate, and/or more than a third of the previous year's donors fail to renew), the program can suffer long-term damage from emphasis on the bottom line. If the fund must demonstrate a profit each year, the fund raiser is not free to pursue the more important long-term goal of expanding the donor base, because donor acquisition is so expensive. The longer it takes to build a significant base of regular annual fund participants, the longer it will be before the university has a significant pool of prospects for major gifts. And the most important, most valuable role for the annual fund is as the base of the pyramid that leads to truly substantial gifts.

The public university setting

A wide range of educational institutions come under the general heading of "public." Aside from our common interest in higher education and our general affiliation with governmental units for our financial underpinning, we are a truly varied group of institutions. In general as we speak of the public institution, it will help to think in terms of what Tank McNamara would call Enormous State University.

ESU is a large campus, with many undergraduates of varying academic strength, generally strong graduate programs, a fairly high proportion of commuting students, a historical mission to provide access to higher education for many, and an alumni body that grew dramatically as a result of the returning veterans of World War II and Korea. ESU has seen a period of seemingly unlimited public financial support in the 1950s and 1960s erode during the 1970s and 1980s. Times are growing ever more difficult, and ESU is starting to seek alternative sources of additional income.

The fund-raising effort? Well, for several years someone in the alumni office had been sending out offset letters once or twice a year, asking for gifts for the ESU fund. The volunteer structure consisted of a handful of insurance and real estate salesmen and other loyal alumni, who kept rotating the officers' positions in the alumni association among themselves, since no one else apparently wanted the jobs. The ESU Elephants had strong support from a loyal group of athletic supporters, who contributed hundreds of thousands of dollars annually -- mostly so they could get good seats in the stadium. And a few aggressive faculty

members had always been able to get grants and gifts for their own programs, projects, or departments.

But overall, academic fund raising at Enormous State swung wildly between minimal and nonexistent for years. However, a couple of years ago the regents and the president decided that private gifts would be a valuable augmentation to the other funding sources at ESU. They hired a vice president for development -- and sat back to wait for millions of dollars to begin rolling in.

This is more or less the environment in which the annual giving programs at many public universities operate. Of course, there are a number of public universities and institutions that differ substantially from ESU, and nearly every institution differs in the details. Nonetheless, it is this sort of environment that helps distinguish annual giving at public universities from similar programs at private universities. These differences dictate a different approach.

Our friends at Enormous State quickly found that the fund-raising techniques established over many years at private universities either didn't work at ESU or would take years to develop. Since they couldn't wait for years, ESU decided other techniques would have to be found. Before we join ESU in search of useful annual giving techniques for the public university, however, let's look at some of the factors that distinguish us from our colleagues at private institutions.

Our prospects

Where fund-raising prospects are concerned, the differences between public and private may appear to be greater than they actually are. Joseph Mansfield, vice president at Penn State who has worked at Columbia University as well, says he can find no perceptible difference in the quality of the alumni body between public and private institutions.

Of course, there are, in fact, some demographic differences. For one thing, most public universities experienced enormous growth in their student bodies during the late 1950s and early 1960s. Thus, most public universities have an alumni body with a slightly lower average age than those of private universities. But most of the differences tend to be attitudinal. To put it another way, it's not the people we work with who are different, it's the climate we work in.

Most Americans who have graduated from a public university attended that institution during an era when there was little or no mention of the need for private support. They are not accustomed to the concept. In addition, many attended at a time when tuition was much lower, or free. This can affect the attitude of alumni in two ways. First, it tends to suggest to some that this "discount-priced" education was somehow of reduced value. Lower price can suggest, even subconsciously, lower

quality. Secondly, they are left with the impression that the institution has such strong public support that it doesn't even need to charge much for tuition. So why should this institution be asking for gifts? Also, many public universities, like Enormous State University, are huge and impersonal for the 17- or 18-year-old who has left home for the first time.

Thus, the alumni think of the university as a large, uncaring, second-rate, money-laden institution. There are other, more positive impressions, too. But these negative impressions that the annual giving officer must confront deserve closer attention. The four negative impressions can, with one exception, be effectively addressed head on in a concerted program to educate alumni about the real case for private support.

We can use clear examples and cite outside authorities to demonstrate that our institution is not second-rate. We can argue rationally and with strength that size is not always a flaw. In fact, the very enormity that overwhelmed our alumni in their student incarnations can help us find areas that they will want to support today. And every development officer worth his or her salt can recite, even while asleep, the facts and figures proving that state funds provide less than a half, or a third, or a quarter of our institution's budget.

When we are dealing with alumni populations numbering in six figures, however, combating the impression that the university is impersonal and uncaring can become extremely difficult. That's something we have to contend with to a greater extent than do development officers in private universities. It can shape the technology and content of our program as no other single factor does. For example, to the 400 graduates of the class of 1960 from old Biff Clapboard, class agent, with news notes and another push for the class fund is at worst inoffensive and at best warmly appealing. A similar letter to the 9,500 graduates of ESU's class of 1960 would be meaningless, ineffective, even silly, at best. At worst, it could reinforce the impression that we're a big bureaucracy that has no idea of who the graduate is or how he or she feels.

Dealing with the perception of our institution as big and impersonal, while still managing to solicit a couple of hundred thousand alumni efficiently and effectively, is a significant challenge. Some public universities -- the University of Tennessee is a good example -- put the annual giving program in the hands of the alumni association. This tactic enables the solicitations to convey a more personal, Let's-get-together-to-help-ol'-ESU" sort of message. It can allow a slightly more folksy approach, and insulates the university a little from the complaints about impersonal mass solicitations.

For many, however, such options are not available. And even the best direct mail program is hard-pressed to make rapid headway

against a body of 150,000 or 200,000 nondonors! With the regents and president still waiting for those millions of dollars in private gifts to start pouring in, the new vice president at ESU decided he didn't have time to wait for a direct mail program to boost his percentage of participation by two or three percentage points a year. He needed something faster. Something personal. Something "nontraditional."

Making the case

Some argue that the case for support of public universities is so different from that for private universities, it can change the way solicitations are conducted. At the least, it is more difficult for a public institution to create the sense of urgent need for annual support that can easily be conveyed by a private college. Whether or not alumni and friends make an annual contribution, most public institutions will still be able to keep the lights on, open their doors to students in the fall, pay the faculty -- in short, they can keep things running pretty much as usual. And if the public institution is in danger of closing, a successful fund drive is not likely to make the difference.

At many private institutions, income from annual gifts is figured in as a part of the budget each year. Without those gifts, the school may actually have a difficult time just keeping things going along on an even keel. The need for annual gifts is real and urgent.

More important than differences in the case statement, however, is the fact that the case for private support of public universities has not yet become a part of our social fabric. It must be made again and again. We must continually educate alumni and friends regarding their responsibilities to the university. Whereas a strong private institution can (almost) simply send out an annual bill, even the strongest public institutions feel they must restate the argument in virtually every solicitation.

Annual fund solicitations are an obvious way to educate our alumni. But loading the solicitations down with extra tasks, like teaching alumni the reality of state support levels, can detract from its primary purpose -- raising money. While educating our alumni and raising gifts from them may be inter-related tasks, it is dangerous to ask a single communications vehicle to accomplish both jobs effectively. Chances are that neither will be done as well as we'd like (or need). Despite this fact, it is clear that the solicitation itself must carry the public university's case for private support, even though our primary task is fund raising, not educating, and even though the impact of our solicitations will probably be somewhat diminished.

Education and politics

One of the facts of life for virtually every university or college is dependence on governmental sources for a significant

portion of their budgets. For public colleges and universities, this support usually will comprise a larger portion of their budgets, so they watch state politics fairly closely. Private universities, on the other hand, tend to keep a closer eye on Washington than the state capitol.

There is another reason why political factors may be more significant for public institutions, and especially for their annual giving programs: From the point of view of many political leaders, the distinction between Enormous State University and the Motor Vehicle Bureau is not particularly great. If the head of the Motor Vehicle Bureau sent a letter to every licensed driver, complaining about state budget cutbacks in his or her department, the legislature and governor might be expected to be rather irate. And the head of the Motor Vehicle Bureau would probably soon experience first-hand the services of the state's unemployment bureau.

Is it really any surprise that state legislators and executives may become concerned about the wording of annual fund solicitations? After all, for most public universities, their alumni are heavily concentrated within their state's borders. And those alumni are voters. An annual fund appeal can become a major communication device reaching a significant share of the state's most politically active citizens.

That innocent annual fund appeal can become a two-edged political sword. On the one hand, an innocent statement about the level of state support can bring down the wrath of those who hold the purse strings. On the other hand, the very fact that such great concern may be expressed in high places demonstrates that alumni represent a kind of nascent political power, if the university could figure out how to use them without drawing too much fire.

One further consideration, a possible catch-22, is that obvious success in fund raising at a public university may mean a cutback in state allocations. That is, while large numbers of a university's alumni -- their constituents -- may support the institution, extensive publicity about that fact may give legislators the notion that it no longer needs quite so much help from the state coffers. Even if state allocations aren't cut back, the fear on the part of prospective donors that their gift may benefit the state's general fund rather than the educational institution to which they donate can become an obstacle to success.

In any event, those who construct the annual fund solicitations at public universities must be careful about the political impact of their efforts. More's the pity, since educating our alumni about the relatively small proportion of state aid we get is one of our primary objectives, and an important part of our case for private support, but the political environment can mean that we must make that case with less dramatic impact than we would like.

Strategic consideration 1: Your donors

Perhaps the way in which the annual fund at public institutions differs most is in how it fits into the overall development strategy. And that difference arises because public and private universities exist in very different institutional and donor environments.

Let's look at the donor environment first. To do this, view our universe of donors and prospective donors as a pyramid. Those who are prospective donors but haven't yet made their gifts are the base of the pyramid. They are our natural constituencies -- alumni, parents, neighbors.

At the next level are the "typical" annual donors. For most universities, these are individuals who contribute between \$1 and \$99 annually, although the actual giving levels by which we define various groups of donors can differ widely from one institution to another. At any rate, this first level of donors is smaller than the group of prospective donors below it.

The pyramid progresses upward, passing the Century Club members, the \$1,000-a-year donors, and so on, up toward significant capital gifts. The increments by which one measures progress up this pyramid will vary, depending on the size and history of the institution and its development efforts. Nevertheless, the pyramid model can be applied to any program, regardless of size or scale.

Annual giving, of course, works in the bottom of the pyramid, recruiting new donors, renewing and upgrading previous donors. Eventually, if everything is working right, the annual giving program will be passing significant donors up to higher levels of the pyramid, where they will be handled as part of a major capital or planned giving program, complete with personal cultivation and peer solicitation, coordinated individually by a senior development officer. A few of these individuals may reach the pinnacle of the pyramid some day, making gifts of six- or seven- or eight-figure stature.

It becomes apparent that one or two individuals at the top of the giving pyramid may contribute as much in a given year as all the thousands of donors to the annual fund put together. So why bother with the annual fund? Why not devote those resources to more work with major individual donors? There are two reasons -- a successful annual giving program creates a climate of support for the university that is synergistic in its effect, and it also identifies and upgrades potential major donors in the most effective way possible. In other words, a university must build the bottom of the pyramid if it wants to benefit from strength at the top.

To analyze an institution's strategic position, study the shape of its giving pyramid. For example, try to visualize the giving

pyramid for, say, Princeton next to that for ESU. Princeton's pyramid will be taller and narrower -- taller because it will have more and larger gifts at the top of the pyramid; narrower because a higher percentage of its natural constituency is already giving, and a higher percentage of the donors are giving above the minimum levels.

For most public colleges and universities, like ESU, the giving pyramid is truncated. With large alumni and student bodies, their natural constituencies, forming the base of the pyramid, are large. With only a brief history of fund raising and a case for support not widely accepted, the percentage of prospective donors who actually participate is relatively low. And since most of the donors are relatively recent converts, few have worked their way to the higher levels of the pyramid. This gives ESU a pyramid with a wide base and gently sloping sides, coming to a relatively low peak. It is a typical pyramid for an immature program, while Princeton's shows that it has been working effectively at annual giving for a long time.

In many ways, in fact, public institutions today seem to be in a place deceptively similar to the one which private colleges and universities were in many years ago. For most public universities, active professional fund raising is a phenomenon of the post-Great Society era. Our programs bear the earmarks of infant efforts. But there are two significant differences between the modern public university and the private institution of a few generations ago. First, we are dealing with a vastly larger prospect pool. And second, our universities are already strong and established. We are not "selling" an unknown quantity. Nor, for the most part, are our doors likely to close tomorrow.

Setting aside for the moment the fact that we may lack some degree of urgency in our case statements, these two differences in the donor environment place public institutions today in a far better position than that faced by our professional ancestors as they launched the fund-raising programs that today serve private universities so well.

Strategic consideration 2: The university

Now let's look at distinctions in the institutional environment that affect development strategies at public institutions. One such distinction lies in the level of need. Public universities have a luxury not available to many private institutions: they don't need private support to keep their doors open. While a well-run private university will have a variety of income sources as well as some resources set aside to tide it over in case of a particularly disastrous year in student recruitment or fund raising, it nevertheless cannot rely on the state government to keep the institution at least viable, if not excellent. (Of course, when the state government occasionally decides to cut

budgets dramatically or even close an institution, that dependence on state funding can prove rather less than comforting or reassuring.)

However double-edged the reliance on state support may be, public universities have the opportunity to take a longer view of fund-raising strategies than do their private sector colleagues. For annual giving, this means the emphasis should be on five- or 10-year plans, not just on making this year's bottom-line goals. For example, it may be in the best interests of the university in the long run to concentrate now on recruiting as many new donors as possible. But this is the most expensive aspect of a development program, for donor acquisition when considered by itself can easily cost as much as it raises. Many private institutions don't have the freedom to sacrifice current income to long-range objectives.

Taking the long view, then, we can see by looking at ESU's broad, stubby pyramid that the university's future success in fund raising depends in great part on devoting resources now to attack two critical areas in annual giving:

1. It is obvious that ESU needs an immediate and massive effort to move constituents up from the nondonor base into the \$1- to \$99-donor category.
2. ESU also needs to develop a group of prospects for major gifts because, although ESU's goals for private support constitute a relatively small share of its annual budget, that budget is so large that even a small percentage is still a large number. The only way to get these dollars is to identify, cultivate, and solicit a few truly significant donors.

This need to develop a pool of potential major donors is one of the reasons so many public universities have established President's Clubs or other similar \$1,000-\$10,000 giving societies. These clubs provide an organized way to concentrate on a particular stratum of the pyramid, a level that can be loosely identified as the lowest of the major donor strata. By concentrating efforts at this level, growth at the top of the pyramid can be stimulated, bringing in the truly significant private gifts needed by the institution from the most affluent and influential members of the community. This tactic in combination with attention to the lower levels of the annual fund can produce growth in the giving pyramid at the two most critical points for the typical public university -- acquiring new donors and recruiting potential major donors.

One day in the dim future, perhaps, public institutions will have reached the point where they will have obtained the highest feasible level of participation in annual giving by their natural constituencies. At that point, the resources dedicated to

building a strong annual giving program can be reallocated, perhaps to working with major donors, perhaps toward entirely new sources of income.

For now, however, annual giving programs at most public institutions must spend significant energy building the donor base and increasing the gifts of current donors to the highest possible level. The neat trick is to do all this before the president and regents get tired of waiting for those millions of dollars to start rolling in.

One solution

By now the vice president has defined the problem at ESU: He needs to develop an annual giving technique that: (1) is as personal as possible (thus helping counter the impression that Enormous State is impersonal, and at the same time making the solicitations more powerful); (2) is effective in reaching large numbers of alumni; (3) can work as well at recruiting new donors as at upgrading current donors; (4) is capable of conveying the case for each new prospect without being confusing; and (5) works quickly, in order to build up a pool of prospects for major gifts.

The technique chosen? One adapted from commercial telephone marketing and first used at Yale near the conclusion of a major capital campaign: phone/mail or telefund.

Essentially, this technique combines personalized direct mail with highly controlled and supervised telephone solicitations. But don't jump to conclusions: the phone/mail or telefund program compares with the volunteer phonathon as a word processor compares with a manual typewriter.

The new vice president first cajoles the facilities planning director into dedicating two large rooms and a small adjacent office to this program. He has two dozen telephones installed in one of the large rooms, along with some old study carrels the library was going to toss out. This will be the calling room. The other room, for training and clerical work, holds filing cabinets, some old tables, and about 15 folding chairs. The small office is for the director of the program.

Next, the vice president brings in the director of annual giving and explains the new project. ESU alumni will be segmented by college and major, as well as by previous gift history. A personalized letter, on monarch-size letterhead, will be sent from prominent alumni to the various segments, with the signer and message varying depending on the segment.

What surprises the director of annual giving is that there is to be no return envelope or card in this letter. Instead, the multi-page letter, which will be mailed in a closed-face envelope with a live stamp, states the case for private support as

urgently as possible and tells the alumnus that a phone call will be coming within a week or so. The phone call, the letter says, will be to ask for support, and the writer hopes the alumnus will be as generous as possible. In fact, a key element of the letter, according to the vice president, is the section near the end that specifically outlines the various levels of support the alumnus might consider.

"You've got to be kidding!" the director of annual giving exclaims. "You can't be serious about asking nondonors to give \$500 or \$1,000!"

"I'm completely serious. If you tell them that all you want is \$10 or \$20, that's all they'll think we need. We have to convince them that we really do want substantial gifts. Of course, we appreciate their support at any level, but they need to be aware that there is always more to be accomplished."

Well, if these letters are a little unusual, at least the director of annual giving understands about phonathons. Or about old-style phonathons.

"Student callers? Are you sure you want students? You know, we have trouble getting enough reliable student volunteers to contact a few hundred alumni each fall. Wouldn't it be better to recruit some alumni volunteers?"

"We're going to be calling nearly 150,000 alumni," says the vice president. "Most of them are nondonors. Do you think you can find enough alumni volunteers to make that many calls? And how long do you think they'd last, calling nondonors all night long? Anyway, we're not looking for student volunteers -- we're going to hire students to make the calls."

Indeed, one vital distinction of the phone/mail or telefund technique is the use of hired callers. While this "commercialism" can make the telefund anathema to some long-time practitioners from private universities, it also provides the key to the technique's success -- the ability to control a highly personalized message.

With careful training and supervision, the paid student callers can adjust their conversations to fit each individual situation. They can be personally responsive to alumni, while still steering them toward the highest possible giving level. These callers are motivated and manageable. Like others in the development office, if they can't or won't do the best possible job, they can be let go. And, since they're trying to work their way through college, they are willing to keep plugging away at prospects who would discourage or disgruntle volunteers.

How will ESU do with the telefund? Well, of course, imaginary universities have imaginary results. But real-life universities have been using the technique, both for annual giving and capital

campaigns, with excellent results. Both public and private institutions have tried it successfully, institutions including the University of Rochester, Columbia University, West Virginia University, De Paul University, the University of Southern California, the University of Maryland, Temple University, and many others. Most have found it to be a powerful tool, generating as much as 200-300 percent increase in annual fund participation in just a year or so.

It can be especially useful for public institutions for several reasons:

- * The large alumni bodies of many public universities offer the necessary scale of operation to offset high start-up costs.
- * The personal style of the solicitation, both in the letter and the phone call, help to deliver the message very powerfully. This provides an opportunity to state the case for private support in a way that will contradict the impression of being impersonal.
- * The caller, working down a ladder of gift requests from a relatively high gift to one of about \$35, can be equally effective in upgrading previous donors and in recruiting new donors, because his or her reactions to the individual prospect can vary, unlike a letter.
- * This particular aspect of the program, the gift-ask ladder, provides the institution with a significantly high percentage of donors in the \$100+ range, new Century Club members not previously identified by direct mail. This group becomes a primary prospect pool for major gift clubs, helping meet the second of the critical annual giving needs -- identification of major gift prospects.
- * Because the paid student callers are employed, they stay on the job longer than volunteers, thus developing greater skills and experience.
- * The telefund enables you to clean up and expand alumni records dramatically, by putting data gained through telephone contact into your records.

Let's see how this technique compares with direct mail, using typical phone/mail or telefund results. To draw an overly simplified example, let's assume an alumni population of 100,000. In one instance we send four excellent direct mail pieces, each bringing an (unrealistically high) return of about 2 percent, with an average gift of about \$18. On the other side, we use a telefund program, with a 25 percent pledge rate, an average pledge of \$40, and a 65 percent pledge fulfillment rate (modest results for a typical public university telefund annual giving program).

The direct mail program will bring in about 9,600 donors during the year. The telefund will bring in over 16,000. Even more dramatic, however, is the difference in dollars generated. About \$173,000 will come in through the direct mail program, while about \$650,000, nearly three times as much, will come in through the telefund.

The large dollar amounts of the telefund program can be misleading, because the program costs so much more to run than does the direct mail program. The bottom line may not show nearly so great a dollar difference.

In the example above, for instance, the cost of the 100,000 telefund solicitations would be about \$270,000, while the cost of a direct mail program might be as low as \$30,000.

Even so, the net income from a telefund solicitation would be about \$380,000, compared with about \$143,000 from direct mail. And you would have 6,400 more donors on your list going into your next annual giving campaign. In general, for an annual giving program like that at ESU, with a high percentage of nondonors and a relatively large alumni population, the cost of raising a dollar is about 30 percent lower with the phone/mail technique than with direct mail.

The real advantage of phone/mail in annual giving is less obvious, however. The long-term strength of the program lies in the fact that so many of the telefund contributors are giving at a significantly higher level. This means that the program is accomplishing the dual objective of recruiting new donors and generating higher-level prospects simultaneously.

Naturally, this specialized technique is not necessarily ideal for every institution. Nor is it without drawbacks. It requires careful and constant supervision. Because of its power, it draws high visibility, requiring special awareness of the political environment in which each institution operates. Even the success of the program causes problems, as data input and output demands skyrocket and gift accounting tasks double.

Furthermore, the telefund can require significant amounts of unrestricted money as seed funds. For example, it cost about \$20,000 to establish the physical facilities and necessary program personnel before even the first telephone call was made at the University of Maryland telefund program. Because the highest expenses (caller salaries, personalized letter production, telephone charges) occur before pledges are fulfilled, there can be a significant lag between fund-raising expenditures and income. At the University of Maryland, launching a new telefund program dealing almost exclusively with nondonors, it took nearly 14 months before the program could pay back the \$80,000 it borrowed for start-up and operating expenses. At Penn State, the president simply underwrote the entire operating budget for the telefund program, approximately a third

of a million dollars, guaranteeing this money in advance of the program's initiation.

For institutions that cannot afford to tie up \$80,000 in unrestricted income for more than a year nor have a third of a million "extra" dollars, it is possible to begin a phone/mail program incrementally. For example, a program can begin with paid student callers using existing office telephones in the evening, staffed by current staff, and without the personalized lead letter. Although this effort will not move the program ahead quickly, it will provide income that the development office can reinvest in establishing a telefund program.

No matter what steps are taken, however, there is always a pipeline of several weeks' length between the pledge and receipt of the gift. Since most expenditures take place at the front end of that pipeline, cash flow must initially be subsidized.

Nonetheless, the telefund stands as a symbol of the public university annual fund effort -- a search for new, better, more effective techniques, tailored to the particular needs of our institutions, building on our inherent strengths, creating up-to-date solicitations for our special needs based on solid fund-raising principles.

Chapter 7

THE ROLE OF MAJOR GIFT CLUBS AT PUBLIC INSTITUTIONS

by Donald L. Lemish

Some Webster's Dictionary definitions may help to prompt a discussion of how major gift clubs are a part of fund raising at public colleges and universities. Webster's defines major as "greater in size, importance, amount, etc."; gift as "something given, a present"; and club as "a group of people associated for a common purpose."

"Major" is the key word of the three. Major indicates something bigger than something else. Thus with major donor clubs, an institution acknowledges that gift amounts range widely and at some point are considered major. Although many colleges and universities have groups or clubs for gifts of less than \$100, in most state college and university development programs, major gifts are those of \$100 or more.

At Ball State University in Indiana, an institution that has won numerous U.S. Steel Foundation/CASE Alumni Giving Incentive Awards, \$100 was the only giving club until 1970. When Ball State initiated a major donor club at \$100, it was believed that individuals would not donate as much to a state institution as they would to private colleges and universities. As Ball State aggressively advanced its fund-raising efforts, it found a need for additional major donor clubs. Although studies have been done on "top" donor clubs at public and private universities, no current research indicates how many institutions have a \$100 club as an initial major donor club. However, it is reasonable to assume that almost all state-assisted institutions with organized development programs have such a club. Some institutions have clubs at less than the \$100 level, but do little to honor those donors and do not consider these clubs to be "major" donor groups.

East Carolina University (North Carolina), for example, has a donor club called the "Coffee Cup Club." It was founded on the idea of a person giving the cost of a cup of coffee per day...back when a cup of coffee cost 10 cents. Each year the donor received a coffee mug inscribed with the university seal and year of gift. This program required an annual gift of \$36.50. After almost 10 years, the program continued through a great increase in the cost of a cup of coffee (where can you find a cup of coffee today for 25 cents or less?) and an even greater increase in the cost of the coffee mugs. The university development office was faced with costs exceeding \$5 per mug and \$2 for packaging and mailing. All of a sudden it was spending about 20 percent of the total gift on the cost of recognition.

East Carolina estimated that a reasonable level for the Coffee Cup Club would be approximately \$75 to \$90 and found that level was just too close to its Century Club. The dilemma of what to do with a club at a level of less than \$100 was compounded by the fact that the coffee mugs were relished by the donors, and those who had a series of eight or nine did not want the program abandoned. Options were to merge the Coffee Cup Club with the Century Club or increase the basic level enough to recover the inflationary costs of using mugs for recognition.

This story illustrates why most institutions avoid clubs of less than \$100, instead accepting \$100 as the initial amount for a major gift club. Obviously, institutions must be cautious not to offer too much recognition in the way of specialty or give-away items for gifts of less than \$100.

Gift club levels

A study of higher education institutions in a 14-state area in 1981 by Eugene Hunckler, University of Kentucky Medical Center, indicated that a majority of institutions in the study had the \$1,000 level or \$10,000 at the rate of \$1,000 a year for 10 years (hereafter referred to as "\$1,000/\$10,000") as the top major donor club. The same study indicated that some institutions had gift clubs requiring contributions in the millions of dollars. Hunckler's study included responses from 203 institutions, of which 84 were public colleges or universities. The same study found that 79 percent of the institutions responding did not start their current "biggest gift club" until after 1970.

One might assume that there are many more Ball States who found that what was once "very major" is now only "semi-major." Judging from the increased dollar levels of major donor clubs at public institutions in the past 10 to 15 years, it is reasonable to say that major donor clubs will continue to rise to new heights most likely equal to or greater than those at such institutions as the University of Michigan, which was the first public university to announce a \$1 million donor club.

At what level to start major donor clubs is something every institution must consider on its own. For most state institutions the magic seems to be starting at the \$100 level. Most have \$500 clubs and \$1,000 clubs. Some have groups between these levels. Most state universities and colleges tie their \$100 to \$1,000 groups strictly to the annual fund and use the levels as specific means of aiding donors to set their sights higher for annual gifts. Many institutions have clubs beyond \$1,000 annually; some include combinations of annual, deferred, and/or capital gifts. Most institutions utilize direct mail and phonathon campaigns to gain members to their \$100 to \$1,000 annual clubs. The higher the level, the more time and effort are spent on organized personal solicitation by staff and volunteers. Having headed development programs at four state institutions over the past 15 years, I think that telephone and direct mail

should not be used to upgrade a donor to or above the \$500 level, unless as a last resort when personal contact by staff or volunteers is not possible. Personalized direct mail with individuals who had previous giving records at \$100 or more might be appropriate if a personal visit could not be completed. For the lower-level major donor clubs, publicity, recognition meetings, and publication of names are major prospect motivators.

Above the \$1,000 annual fund major donor level, many state institutions offer a combination that usually requires a commitment of \$10,000 or more. Most require the \$10,000 as a pledge of a minimum of \$1,000 annually for 10 years. Although there are some differences, the concepts for the top clubs at the four institutions served by this writer are quite similar.

In reference to the major donor club, long-time development professional David Ferner wrote in the November 1980 issue of CURRENTS, "The most common standard is a minimum annual gift, usually \$1,000. More and more institutions are creating higher membership categories to challenge top prospects and to offset inflation. Many schools, colleges, and universities have set membership standards at \$5,000 and \$10,000 per year. By adopting an annual gift standard for membership, institutions stress the recurring need for gift income and the continuing leadership of associates."

Naming the gift club

Now that we have established some basis for the term major, a closer view of "club" is in order. By creating a club or society, development offices or fund raisers have an instant organization in which donor prospects will want membership. Such organizations capitalize on a basic human desire, that of wanting to belong.

As Hunckler says, "Prestige, motivation, recognition, invitation, involvement, and even history all play a role in establishing the name signifying the major gift program." What is the connection between the need to belong and naming the club or society? It is the linking element that makes the group or club much more than just a level of giving. People want to be a part of history or tradition. They want to be invited to join something. They like to be members of something perceived to have prominence. Many institutional development officers have found the naming of gift clubs much more difficult than deciding upon what dollar amounts will be used for gift club levels. Words with a direct association with size of gifts are often found in names of lower-level major gift groups. Names like century club, hundred society, centurions, golden 100, and so forth, are all for \$100 major donor clubs. This level usually ends up being named for the amount rather than for history, tradition, or anything else.

Tom Hall, writing in the Educational Fund Raising Manual about the start of the Thousand Club at Georgia Tech, said of the naming, "The cycle of birth -- from the gleam in the eyes of the Alumni Committee members, until the announcement of the club -- took two years. This is about the gestation period of a baby elephant. I have been continually relieved to see that our Thousand Club has not turned out to be the 'white elephant' in our fund closet! Much of the development time for the Thousand Club was spent poring over names to determine giving levels that were realistic and suitable for campaign goals."

Some institutions have developed "umbrella" terms for all their major donor clubs and then use individual names within the combined group name. The history of Ball State University's gift club evolution can help others better understand major donor club naming and perhaps avoid some common pitfalls. Since Ball State had given the name President's Club to its \$100 level, its gift club expansion into \$200, \$500, and \$1,000/\$10,000 clubs posed the dilemma of finding names as prestigious as President's Club. Because of this problem, the institution opted to use President's Club as an umbrella name for all its major donor clubs and adopted the following club names within the overall President's Club: President's Century Club, President's Double Century Club, President's Club Partners, and Fellows of the President's Club. The transition was as well received as were the new major gift club levels. One minor detail relative to the naming did occur when some women members of the \$1,000/\$10,000 group questioned the use of the term "fellows." Obviously, naming donor clubs will require study and testing by various constituencies before a final decision is made.

At both East Carolina and Longwood College (Virginia), coordinated gift clubs of the traditional levels of \$100, \$250, \$500, and \$1,000/\$10,000 (higher at Longwood) were developed in the early 1980s under umbrella identification closely associated with the individual institutions' histories and traditions. East Carolina has a famous fountain in the middle of campus named Wright Fountain, after a former staff member. It is a campus landmark. Also, a campus drive named Wright Circle encompasses the fountain. As an all-inclusive major donor organization, East Carolina named all its major donor clubs The Order of Wright Circle. Its donor levels within The Order of Wright Circle were then named The Century Society, The Associates Society, the Partners Society, and The Chancellors Society.

Longwood, until 1982, had only two major donor clubs, a \$100 club and a \$1,000 club. Its \$1,000 club was named for a famous person who served the institution as president for more than 40 years. Because this person is so revered by alumni and friends of the institution, development staff members wanted to somehow continue his name, Jarman, with a major donor club but could not find agreement on a name for a new larger gift club than the \$1,000 Jarman Society. To solve this dilemma, Longwood adopted the umbrella concept for all gift clubs, which were titled the Jarman

Society. The Jarman Society included all donors from \$100 to \$20,000 with the individual groupings carrying additional names: Century Society, Associates Society, Partners Society, Presidents Society, and Founders Society.

The University of Alabama in Birmingham, a relatively young institution that is autonomous from the university in Tuscaloosa, did not have the advantage of tradition and history as it first set out to establish and name major donor clubs in 1978. Because of two capital campaigns, prior to establishment of a centralized development office, the institution had a handful of \$50,000-plus donors. The development staff initiated major donor clubs named The Green and Gold Society, The Associates Society, The Presidents Society, and The Founders Society. Again, the donor clubs were organized under an umbrella term, The Society for Excellence. Although the institution did not have many traditions, it had a record of excellence in its health care-related schools and felt identifying donors with excellence seemed to be a natural association.

Although two institutions previously mentioned use founders as the name for their top donor clubs, Hunckler's 1981 study indicated that this once-popular identification was used by only 5 percent of the respondents. The word "president" was used by 64 of 203 respondents. The second most popular reference for the major gift program by responding institutions was the name of a prominent person in the history, among the alumni, or in the philanthropy of the institution. All institutions indicated a feeling of success in the use of names of special significance to their constituencies.

Qualifications for membership

After naming has been resolved, institutions must consider what type of gifts qualify for membership in the major donor club. Like the University of Georgia, many public institutions count any and all cash gifts toward membership in their top club. Others also include combinations of other types of gifts, most notably the deferred gift. However, this has been known to cause problems at some institutions.

In 1970 when the Fellows of the President's Club was started at Ball State University, all persons who had previously donated \$10,000 or more were made charter members. Other individuals would qualify by any of the following methods: (1) pledge of \$1,000 per year for 10 years; (2) pledge of \$500 a year for 10 years and a deferred gift of \$7,500; or (3) a deferred gift of \$15,000 or more. The deferred gift option quickly posed some problems for the institution and revisions were made. Prestige of the Fellows caught on quickly. A number of alumni and friends of the institution joined the club through purchasing \$15,000 term life insurance policies, making the institution the owner and beneficiary. Many young \$100 donors found they could belong to the more prestigious Fellows Club by purchasing life insurance

for about \$150 to \$350 per year instead of making an annual gift. Quickly recognizing the inequity, alumni and development staff members met with institutional friends in the insurance sales profession and members of the club who had joined via term insurance to discuss making membership requirements more equitable for everyone. Now, the institution requires \$15,000 of whole life insurance on the principal member or spouse. It also requires a minimum \$100 annual gift from all club members who join through the deferred gift method.

The Ball State experience should be borne in mind by any institution considering acceptance of deferred gifts as qualification for a major donor club. Every qualifying aspect must be considered. Must a donor make an annual gift? Can insurance policies be used for qualification? Can dividends be used toward reduction of premium cost or must the dividends be payable to the institution? Can the donor pay premiums directly to the company or must the donor send premiums to the institution and the institution make payment? Can matching gifts be used to pay part of the premiums? Does insurance have to be on principal member or spouse, or can it be on younger children to reduce premium costs? Pooled income funds, charitable unitrusts, charitable annuity trusts, and gift annuities also must be considered. Will such donors be included in appropriate major donor clubs relative to gift? If so, what will be the determining factor for actual gift size of any of these types of life income agreements?

As many institutions have found, it is wise to make all qualifications for a particular gift club as equitable as possible with the basic cash gift qualification requirement. If this is not considered, much of the prominence and prestige of belonging to the major donor club will be lost or diluted.

Also, many institutions have found that increased efforts in the planned giving area have caused a rethinking on the minimum qualification for use of a deferred gift for their major donor club. For UAB's \$10,000 club, a \$15,000 deferred gift combined with a \$500 annual gift is necessary, or a minimum of \$25,000 deferred and \$100 annual. East Carolina offers a similar plan but requires \$20,000 deferred and \$500 annual, or \$30,000 deferred and \$100 annual. Longwood College requires \$20,000 over 10 years, \$20,000 deferred combined with \$500 annual, or \$50,000 deferred combined with \$100 annual. In all these examples where a deferred gift is used, the donor must continue the annual gift yearly to maintain membership.

Besides what to do about deferred gifts, many institutions debate how to handle matching gifts and corporate gifts. Again, the majority seem to fall on the side of inclusion because the club provides a formal means of recognition. Although most institutions tend to count matching gifts for donor clubs, there is a trend toward having higher requirements for corporate representation in a major donor club. A warning here: Be careful how the gift from a closely-held company is considered. It is a safe

practice to lean toward the side of inclusion rather than establishing a number of rules or reasons that a particular gift should not be included for major gift representation.

The progression of higher major donor club requirements of the institutions just cited related directly to their experience in fund raising. It is reasonable to say that donor club levels will continue to increase as private support to these public institutions increases.

In the late 1960s and early 1970s not many state institutions were conducting capital campaigns with multi-million dollar goals; therefore, most of their major donor clubs were built around annual gifts. By the 1980s state institutions with organized development offices not in the midst of a capital campaign or planning such were an exception. As a result, new thinking and new major donor clubs are emerging.

The UAB \$50,000 club mentioned earlier resulted from a need to recognize donors who had cumulative gift records of \$50,000 or more, most of whom made such gifts to capital campaign projects. Michigan's announcement of a \$1 million club had some influence on UAB's decision to have a \$50,000 level when it started major donor clubs. It is reasonable to assume that almost every institution with a major donor club will either increase the gift level requirement for that club sometime in the future or will institute a new higher-level club. As a means of measurement, Radock and Jacobson's article in the Handbook of College and University Trusteeship presents the University of Michigan statistics on major donor clubs for 1979, one year after the start of the \$1 million club:

39	=	\$1,000,000
429	=	\$ 100,000
83	=	\$ 50,000
2,496	=	\$ 1,000/10,000
600	=	\$ 500
15,120	=	\$ 100.

Hunckler says, "In the future, the \$10,000 gift level program will take over the old century club as the base of the institution's special level giving categories, while the \$100,000, \$500,000, and \$1 million levels become standards in the field. The future is bright -- limited only by economic circumstances, the quality and purpose of our programs, and our degree of dedication and creativity in the world of institutional advancement."

Purposes of gift clubs

At most state colleges and universities, major donor clubs are organized as a means of getting prospects to set or advance their giving consideration to a club level and that club provides the institution with a formal program of appropriate donor

recognition. David Ferner says that the purposes of gift club programs are to:

- * recognize and honor individuals who have shown unusual interest in the institution and have supported it financially;
- * inform these people in greater detail about the purpose, programs, and plans of the institution;
- * involve members and make them continually aware of the institution's importance to education and of education's vital role in the nation's future;
- * provide opportunities for members to learn about and use the institution's services and resources, including the expertise of its faculty and administration;
- * prepare members to become effective ambassadors of the institution in the social and business communities;
- * develop volunteers to serve as advisors, fund-raising leaders, and trustees;
- * create and maintain a firm base of annual gift support and instill in members a readiness to support other important projects of the institution.

Donor recognition

Careful consideration should be given to recognition of donors through major gift clubs. How much should be spent on recognition? What kind of acknowledgements should be used? Who should correspond with major donor club members? What kinds of donor recognition items should be considered? How do you handle the donor who indicates a desire to remain anonymous?

A common question among development officers seems to be "how much?" Since many state colleges and universities are restricted or prohibited from using state appropriations for donor recognition, a portion of private gifts usually will be spent on recognition. This is a concern when all development officers have heard donors say, "Please do not spend anything on recognizing my gift because I want the money used for the benefit of others." An institution may not know how many major donors really do not want any recognition; however, judging by the small number of anonymous donors in various institutional donor honor rolls, it can be inferred that few persons really do not want to be recognized for their major gift support.

There is a good way to handle the individual who says that he or she prefers no publicity or recognition. Acknowledge the person's desire; however, point out that publicity and recognition of the gift and the individual are the major factors that

will encourage others to make similar gift commitments. This approach, which generally works positively on most donors, is an appropriate method of discovering how serious the donor is about not desiring recognition. Also, a major donor club itself often is enough of a vehicle to inspire the donor to accept recognition.

Opinions differ on how much should be spent on recognition; however, donor recognition is reasonable when the total cost is less than 5 percent. Cost of raising the gift, acknowledging, and recognizing will be higher for the lower-level major donor clubs than for the top club. Let's look at an example of donor recognition at one typical state college. For a \$100 Century Society gift, the college sends a personal thank-you letter from the vice president for institutional advancement separate from and in addition to the computerized receipt. That's 40 cents in acknowledgement costs. It gives the donor a recognition item (a certificate, paperweight, etc.) that initially costs \$11 and can have some type of updating for each annual repeat gift over the next five years. Each tab will cost approximately \$3. The recognition items are presented to the donors at an annual dinner, which they pay to attend. Adding an additional \$2 per year for mailing invitations and recognition pieces to those who do not attend the dinner and prorating the entire program over five years, the total cost of recognizing the annual Century Society gift is 7.6 percent of the gifts contributed by the individual.

The \$500 gift club donors are recognized in exactly the same manner as the \$100 club members except that the donor recognition piece costs the institution \$20 and the update tabs are \$3 annually. Also, an additional acknowledgement letter is sent from the president. Over five years, the cost of all acknowledgements and recognition is \$48 for \$2,500 of gifts, equaling 1.9 percent of total gifts.

A commitment of \$10,000 or more over 10 years or less is recognized by an invitation to an annual complimentary formal dinner, which costs the institution \$40 per couple, and a \$107 one-time recognition piece (clock, plaque, or medallion). Assuming the communications and acknowledgement expenses are similar to the other two gift levels, an additional \$5 per year for invitations to the formal dinner and other special campus events, and that the donor and spouse will attend the dinner every year for 10 years, the recognition cost is 5.8 percent, \$583 of the \$10,000 in gifts. Being more realistic, the institution found that the gift club members averaged attending only 60 percent of the annual dinners, which meant an average total recognition cost per donor was 4.2 percent.

Averaging all three major donor club recognition costs at the example state college, the recognition cost is 3.7 percent over 10 years.

Handling restricted gifts

State colleges and universities seem to have one major recognition problem that is not quite as common in private institutions. The problem stems from restricted gifts to the annual fund. As in the case of deferred gifts, public institutions must determine how they will treat restricted gifts in the donor club programs.

At major state universities that have a variety of professional schools, the tendency is toward donor clubs associated with the individual professional school if the gift is restricted. Many of the colleges and universities that saw enrollment increase in the 1960s and 1970s have taken a different tack. They tend to accept restricted as well as unrestricted gifts for their major donor clubs and to keep the recognition equal and coordinated. Institutions that have not maintained a uniform donor recognition program often have found that competition between departments or schools for restricted gifts leads to unnecessary extravagance in donor recognition. It's the "one-better" theory. If department "X" gives a certificate for the \$100 donor, department "Y" gives a certificate and a frame, and so on. Obviously, an unnecessary competition for gift club donors is created with this approach.

This problem grows even greater when an institution is recognizing donors to athletic programs. Giving special privileges to an athletic donor, such as parking, ticket discounts, special seating, etc., has presented problems at some institutions. Because of the "extra special" benefits, previous unrestricted donors began designating gifts for athletics. This problem can be avoided by using the same and equal recognition for all major donors, restricted or unrestricted.

Another approach would be the philosophy that David Ferner expressed in the November 1980 CURRENTS article:

Although you can use major donor program gifts for a variety of purposes, most institutions stress unrestricted giving for current operations. Some require that all these gifts be unrestricted. Others have sought such gifts for a single expendable purpose such as faculty salaries or student scholarships. And still others provide a list of purposes, including unrestricted use, from which associates may choose.

If you permit associates to designate gift purposes, it's important to limit the choice to a few specific needs. Special-interest gifts, if they are ever acceptable, should be considered only an addition to the requisite major donor club gift.

Dr. Robert Linson, vice president for university relations at Ball State University, remarked to this writer in July 1983, "One of the questions for many of us in our building of major donor clubs will be to determine whether we are going to ask for a

portion of the total or annual gift to be unrestricted. That is the thorny one."

Upgrading gift levels

Many annual fund donors will over a period of time increase their gifts to qualify for a particular major donor club. However, most prospects do not do so automatically. They have to be properly and appropriately asked. Some basic principles must be followed, and the higher the club level, the more important it is that the principles be adhered to closely.

Most state colleges and universities believe that in-person solicitation is necessary and appropriate for seeking any gift at the top club level. Normally this approach is one-on-one and peer-to-peer. Although personal letters can be helpful, they are usually used only to confirm a discussion or set an appointment rather than to solicit the gift.

Public institutions that regularly use phonathons in their annual fund program tend not to solicit new donors at top-level clubs by phone. Some will use the method for renewals when they are confident the prospect enjoys telephone contact. However, most institutions prefer that renewals, if not solicited in person, be asked for through a personal, individualized letter instead of by telephone. Again, it is appropriate to note that the existence of the club itself plays a part in the gift renewal process.

A special presentation should be prepared for enlisting new members. Most institutions print high-caliber brochures. As Ferner says, "The length, elaborateness, and the cost of these brochures vary greatly as does the effectiveness of their design and copy."

Successful gift club solicitation brochures should include: (1) an invitation to join, (2) purposes of the program, (3) criteria for membership, (4) case statement for the support of the institution, (5) benefits to the donor, and (6) statement of giving intent and return envelope.

Usually membership in a gift club is not for life. Once the commitment is fulfilled, the donor is asked to renew the gift or consider an even higher gift club level. Institutions that have provided life memberships for certain gift levels generally find it necessary to create new clubs as a challenge to those who have attained life membership in another donor club.

Almost all state colleges and universities with organized development programs have major donor clubs. Most institutions believe they will be increasing their top-level club to an even higher level sometime in the future. The clubs provide an organized way to get prospects to set their giving sights at specific levels and an opportunity for the institution to provide appropriate recognition for these major gifts.

Chapter 8

CORPORATE AND FOUNDATION SUPPORT FOR PUBLIC INSTITUTIONS

by George E. Moore

As the nation's public colleges and universities intensify their quests for private funding, they are finding ever-warmer receptions from corporations and foundations. It hasn't always been so.

Just over three decades ago, business leaders became deeply concerned when a New York Times survey reported that one-half of the private colleges in the country were operating at a deficit. Three board chairmen of major corporations -- Irving S. Olds of U.S. Steel, Frank W. Abrams of Standard Oil (New Jersey), and Alfred P. Sloan, Jr., of General Motors -- issued public statements. Olds' statement is typical: "...I want to say emphatically that -- in my opinion -- every American business has a direct obligation to support the free, independent, privately-endowed colleges and universities of this country to the limit of its financial ability and legal authority."

Here were pronouncements doubly significant. First, they marked a reversal in the attitude of American business because, until that time, gifts traditionally had been made only when a substantial relationship to the company's interest was obvious. Second, they reaffirmed corporate preferences for supporting only private higher education. Many company policy statements of the time closely resembled that of International Harvester Company: "We follow the policy of not making contributions to tax-supported public educational institutions, except in rare instances...." Similarly, an overwhelming portion of private foundation grants historically have gone to the private institutions.

Today, corporate support of higher education is split approximately equally between the public and private sectors. There has been a widespread conviction that foundations, as products of our free enterprise system, have a special obligation to private institutions with little or no obligation to tax-supported institutions. With approximately 80 percent of all college and university students enrolled in public institutions and with a continuing decline in the proportion of private institutions, more and more foundation support is finding its way to the public institutions, though it still flows largely to the private ones.

The recent growth of private support to public institutions has been dramatic for a number of reasons but mainly because these colleges and universities have gone out and sought it through systematic and increasingly adept programs. With traditional state and federal support less certain and with enrollments climbing even in the face of contrary demographic data, voluntary

support is becoming more critical. There is every reason for optimism that increasing amounts of this support will come from corporate and foundation sources.

The "private only" syndrome that governed corporate giving for many years has disappeared. A 1981 survey by the Council for Financial Aid to Education revealed no company with giving policies that specifically exclude public institutions. A partnership is being forged between university and industry that is beneficial to both. Not all of the collaborations are without their concerns but public higher education is a grateful beneficiary of the increasing corporate philanthropy.

Corporations do not give away money just because someone needs it. They donate because it serves their interests to do so. Those interests are many and, for the most part, are honorably motivated. The business of America's business is, after all, business. The corporate philanthropic dollar must be viewed as any other corporate resource -- as an asset to be deployed to the greatest advantage of the enterprise. Sometimes these gifts are made with the expectation of a direct and tangible return to the donor, at other times in the interest of good corporate citizenship that serves a social need. There are those who believe quite strongly in each extreme. On the one hand is the group that views the corporation as a service organization whose whole purpose is to serve society at a profit. At the other extreme is the attitude that corporations have nothing to give away, that all assets belong to the shareholders and employees, and if an act costs more than the value it will add to the company, in the short term it cannot legally be done. The question really turns, of course, on the definitions of stockholders' interest. A few generations ago, the wisdom of a narrow interpretation was rarely questioned. Today, most believe that stockholders' interest transcends the annual profit and loss statement, that it embraces the quality of the economic and social environment in which the corporation functions.

Laws affecting corporate gifts

Corporate giving is more than a philosophical issue. As a creature of the law, a corporation can do only what the law permits. Its powers are defined by the statutes and more narrowly limited by its charter or certificate of incorporation. The legal right of corporations to give to philanthropic causes has not always been perfectly clear. The legal dictum, "Charity has no business to sit at boards of directors qua charity," originated in England in 1883 and was never far from the minds of corporate officers a few decades ago when they made contributions. The various war chest drives during World War I put pressure on the states to pass permissive legislation, and a good many of them did. But corporate giving really developed under the liberal interpretation of Internal Revenue Service rulings until 1935 when a concerted effort by leaders of various charitable organizations resulted in federal legislation that

permitted corporations to deduct up to 5 percent of their net taxable income for gifts to charity.

But it was not until 1953, in the landmark case of Smith vs. Barlow, that the right to make corporate contributions was clearly resolved. The New Jersey Supreme Court ruled that a gift to Princeton University by Smith Manufacturing Company was essential to the public welfare, and therefore to the corporation's welfare, and that "the contribution here in question is towards the course which is ultimately tied into the preservation of American business and the American way of life. Such giving may be an incidental power, but when it is considered in its essential character, it may well be regarded as a major, though unwritten corporate power." This ruling has become the precedent on which a good many subsequent cases have been based.

The emergence of the corporate giver as a powerful force is perhaps the most significant development in philanthropy in the last half century. As a result of steady increases in corporate giving, in 1979 it surpassed foundation giving for the first time. Many knowledgeable observers believe that the corporation now is well on its way to replacing the individual as the most important source of gifts.

The role of foundations

The role of the foundation has not been as dynamic as that of the corporation in the recent philanthropic life of the nation. A series of legislative disincentives has slowed the growth of existing foundations and the creation of new ones. Dollars available for payout have been limited by the country's economic conditions, by recently imposed taxes, and by lackluster earnings records brought on at least in part by the investment policies of the foundations themselves. A major purpose of distribution requirements of foundations' income in recent tax acts was to stimulate more productive investment of foundation assets. It has been estimated that an improvement of 2 percent in returns would produce approximately \$750 million more annually that would be available for payout and perhaps improve the modest annual growth rate of foundation giving. The Council for Financial Aid to Education reported in its last study that foundation giving to higher education increased 8.8 percent, while corporate gifts increased 25.4 percent in the same period.

Why corporations support public institutions

A close examination of reasons for the increasing corporate support of the public institution reveals a common thread -- a growing dependence on each other for mutual well-being.

First is the large area of personnel needs. Industry needs educated and trained people, and institutions of higher education need help in providing them. In 1979-80, public institutions conferred two-thirds of the bachelor's, master's, and doctoral

degrees in this country. Understandably, industry is eager to provide help to the source of most of its personnel. In high-demand disciplines such as engineering, computer science, the physical sciences, and business and management, the public institutions are graduating at least twice as many students as are the private institutions, and industry is placing its philanthropic dollar where its needs are most urgent. Quantity is not the only thing attracting corporate support to the public institutions. According to a recent survey by the National Association of State Universities and Land-Grant Colleges, more than half of the chief executives and board chairmen of the Fortune 500 companies attended its member schools, as did a majority of our present state governors and Nobel Prize laureates. Industrial supporters are finding excellent quality as well as superior numbers at the public institutions.

The Reagan Administration, trimming the national budget, has urged corporations to rescue some of the programs slashed. Business has responded, but it is neither realistic nor appropriate to expect that corporate philanthropy will come close to replacing the billions withdrawn from various programs. Even with the encouragement provided by tax law changes in 1981 that doubled the deduction for charitable activities to 10 percent of pretax profit, there is little reason to believe that corporate contributions will increase by a magnitude of that order. According to the Council for Financial Aid to Education, in 1982 corporations gave \$3.1 billion, which was 1.77 percent of their pretax net income. This reflects extraordinary growth in recent giving but is a far cry from the maximum 10 percent deduction. Over the past dozen years or so, the average has been just over 1 percent. So while corporations have responded to the President's plea and give evidence of a continuing response, they cannot and should not be looked to for government's share. Higher education simply cannot survive without government support. We know now that state and federal governments are not the safe and consistent sources of funds we once thought them to be, and we know that spending decisions can seem arbitrary and capricious. Corporations, too, will be very selective about where their gift dollars go and the purposes for which they are used.

A driving force behind the new partnership of corporations and public higher education is the impact of foreign competition on the nation's economy, coupled with the decline in government-funded research. Industry's eroded technological base is being shored up by university research talent, and the grants that make this possible ease the financial squeeze gripping the universities. Gifts for more general purposes frequently flow to the institution after the initial relationship is established.

These opportunities for cooperative research are tremendously exciting and useful to both participants, but there is a deepening controversy surrounding the partnerships. Some observers doubt that the basic university ideal of cherishing the pursuit of learning for its own sake can live harmoniously with

the pursuit of profit. The public land-grant universities, for example, were created with a fundamental mission of bringing the results of inquiry to the public for the good of society. This principle can be abridged when contract grants allow for donor review of findings before publication, when exclusive patent rights are assigned to the donor, and when key data are suppressed so that competitors will not have access. The concern about the impact of growing corporate-campus cooperation permeates the university.

Humanists see the institutions becoming vocational schools because the increasing emphasis on technology may come at the expense of the arts and humanities. Scientists see the new relationship with business causing a shift from pure research to product development. Proper planning and foresight are essential to the management of partnerships that benefit both parties without compromising the integrity of either. Terms can be negotiated that are principled, equitable, and consistent with the missions of the university and the corporation.

Another fruitful area of cooperation in this new alliance is continuing education. The information explosion and the pace of technological change are such that most professionals find it difficult to stay current in their field. Training, retraining, and advanced education are critical to industry. Many companies have established their own in-house program and depend on universities for personnel and program assistance. Others go directly to the universities to structure programs that combine campus coursework, cooperative work experience opportunities, and on-the-job refresher courses. Our public institutions are uniquely prepared to provide the essential continuing education of managers and technical personnel in the years ahead, and through their association with corporations, will identify additional ways in which the two partners can be mutually helpful.

Another reason for the new partnership involves a trend so dominant in our society as to be worthy of special attention -- our rapid transition to an information and service society. Demographic shifts in our work force are only evolutionary, sociologists tell us, but some are so extreme as to seem revolutionary. Just a hundred years ago, one-half of all Americans were farmers. Today less than 4 percent of us are engaged in agriculture. In fact, more people work in our universities than on farms. We have 21 million fewer farmers today than we had in 1940, yet we have increased agricultural production by 600 percent during that time. The same sorts of productivity phenomena are seen in manufacturing. Technology has made it possible to produce more and more with fewer and fewer people. The work force is shifting from a manufacturing base to an information and service base. David Birch of MIT has shown that almost 90 percent of the 19 million jobs created in the 1970s were in information and service fields, while only 5 percent of them were in manufacturing. The corporations and the

universities are not only heavily involved together in the creation of technology, but also in the management of data avalanches created by the knowledge explosion. Public universities are quick to respond to society's needs. As the personnel needs of business change, the curriculum demands of students change. Cutting-edge disciplines like computer science are so heavily enrolled at most universities today that demand for facilities far outstrips the ability to provide them. The needs of industry, reflecting overall societal needs, created this demand and many corporations are providing financial and other forms of support to universities to help meet the needs.

How corporations support education

Corporate gifts to education reached \$976 million in 1982, according to the Council for Financial Aid to Education. This is a remarkable performance but may not represent one-half of the total support rendered. Cash remains the most frequent form of gift, but the times and the Economic Recovery Tax Act of 1981 are encouraging noncash gifts that frequently are written off as business expenses. The tax laws offer worthwhile incentives for gifts of materials and equipment, and a number of institutions have asked for and received needed and expensive items ranging from carbon paper to computer hardware. Companies also provide services such as secretarial assistance, copying, artwork, design for publications, and transportation. Virtually all institutions benefit from the time donated by corporate executives who serve as volunteers for various activities, often on company time. This process is being formalized into personnel-loan programs by a number of companies. Corporate talent from the security guard to the chief executive can add tremendous expertise to the university's programs. Many opportunities for corporate services exist for the institutions that are alert to them and that pursue a continuing program of cultivation, involving the corporate community in the life of the university.

Another form of corporate giving, which provides extremely significant support and effective incentives, is the matching gift program. Corporations agree to match employees' gifts to charitable organizations on the basis of at least one-to-one. Some companies are now "matching" as much as three-to-one -- and at least one company, four-to-one. Generally there is a minimum and a maximum amount the companies will match, and some restrict the kinds of institutions or organizations eligible for matching gifts. The "double your dollar" appeals to alumni and friends elicit excellent responses. According to the Council for Advancement and Support of Education, matching gifts to colleges and universities increased by 33 percent in 1981-82, rising from \$48.2 million to over \$63.8 million. CASE lists 941 corporations with matching gift programs.

Many of America's corporations have established their own company-sponsored foundations as conduits through which they channel charitable contributions. Most were established to

provide a mechanism for sustained giving, free of the fluctuations of annual corporate profits, to provide some flexibility in giving, and to concentrate the philanthropy function in one unit. Corporate foundations are legal entities separate from their creating companies, but as a practical matter not autonomous. Most or all of the board members of the foundation are officers of the corporation, and giving priorities are consistent with company aims and policies. There are, however, examples of imaginative direction in some corporate foundations that make them more nearly like their brethren, the private foundations. Usually the creation of a foundation does not end all charitable contributions directly from the company, but it does ensure an orderly process that is serving the sponsoring companies well and is providing higher education with additional valuable resources.

More needs to be said about corporate investments in university research and some of the attendant concerns. These are not matters of voluntary support but are business arrangements between the parties. They are relationships being forged between university and industry brought about by mutual needs, which bring large sums of capital to many public institutions and are therefore relevant to a discussion of the directions corporate and university relations are taking.

There is a fierce competition among many leading research universities to establish industry-sponsored research centers on campuses, to engage in joint ventures, and to set up cooperative arrangements that also involve government agencies and research organizations. The rich academic talent and research capability of our campuses are in particular demand in the high-technology areas. A microelectronics institute at Stanford, a signal processing laboratory at North Carolina State, a robotics center at Carnegie-Mellon, and a biotechnology research center at Berkeley are examples of recent cooperative creations of industrial sponsors and universities in both the public and private sectors.

Universities are also joining with civic development organizations to help woo new industrial tenants to research parks near the campus to facilitate the cross-fertilization of business and academia and to provide jolts of economic vigor to local economies. Established centers like the Research Triangle Park in North Carolina, Northern California's Silicon Valley, and Boston's concentration on Route 128 are aggressively expanding and have been joined by dozens of other ambitious efforts. The arrangements grow ever more sophisticated. Stanford and Berkeley, collaborating on the Center for Biotechnology Research, attracted several million dollars of funding from large corporations. A separate corporation was established to handle the profits accruing from the research activities. These profits will be used to aid other research in the universities.

As research funds from traditional government sources diminish and as university needs escalate, there undoubtedly will be more

of these alliances. There is consensus that these collaborations are good for the industries, the universities, the technology base, and the nation, but concerns about propriety persist. In 1982, at the invitation of eight university presidents, a national conference of academic and corporate leaders was held to discuss the relationships of the principals in these matters. There was agreement that the parties must respect each other's peculiar needs and draw up agreements that assure observance of these needs. Universities are developing their own guidelines to cover patent policies, publication rights, and disclosure by faculty of their corporate ties. The major research universities are in a strong bargaining position with potential corporate sponsors, but many good universities with excellent research capability are not so well positioned and are in danger of succumbing to the lure of big bucks and finding later that some of the arrangements are not consistent with their mission.

Future of corporate support

Looking ahead to what may be the conditions of corporate support of the public institutions in the next few years, the only conclusion one can draw with any certainty is that competition for the available dollars will become keener. There is the strong likelihood that total corporate giving will continue to increase dramatically unless the nation's economy suffers crippling reversals, but more and more of these dollars will flow to the institutions whose programs are producing the personnel and the knowledge that industry requires.

The proportion of private institutions in higher education will continue to decline and the ratio of students in public institutions of higher education will increase because of widening tuition gaps and the improving quality of academic programs and facilities available at the public institutions. It seems likely, therefore, that the public institutions will command a greater share of corporate attention as industry seeks to meet its needs for trained personnel and research data.

Corporations will become much more sophisticated in their charitable giving programs and research contract facilities. In the past many companies assigned the responsibility for this function to an array of divisions and departments within the organization in a manner that best suited their particular situation at the time. The people who managed the effort frequently were not prepared by training, experience, or company mandate to develop and carry out funding policies in any kind of systematic way. More corporations will focus their giving policies sharply and will assign first-rate executives to manage the process. Traditional management tools of planning and evaluation will be used in corporate giving programs just as they are in other corporate activities. The corporate giving officer will more and more become a full participant on the top management team. The philanthropic assets of the company will be invested with the same professionalism as other company assets.

All of this means that a larger share of the available corporate dollars will go to those institutions that approach their corporate relations programs with the same high degree of professionalism. There must be an institutional commitment to such a program as a matter of serious and settled policy. Policies must be set; adequate professional staff must be assigned and trained; specific needs must be identified and goals must be set in priority order; the very best volunteer leaders available must be selected carefully, invited properly, oriented thoroughly, assigned specific tasks, and provided complete staff services; prospect research must be exhaustive, ongoing, and immediately retrievable; corporate representatives must be involved in the life of the institution in all appropriate ways; bridges must be built between the corporate and academic worlds that encourage two-way movement in settings congenial to both; and corporate support must be sought aggressively in all forms that are appropriate to the public institution.

The future of foundation support

To discuss near-term trends in foundations that may affect the public institutions is to gaze into a crystal ball that is murky at best. With the exception of the corporate (or company-sponsored) foundations, fewer foundations will be created. The birth rate of foundations dropped significantly with passage of the Tax Reform Act of 1969 because some of its provisions reduced the incentives that historically had motivated donors. This is not to impugn or question the noble philanthropic motives of the creators of the nation's foundations, but tax considerations have always been a key element in the decision to transfer personal wealth to the public weal through a foundation. The 1969 act reduced to 50 percent the deductibility of the appreciation in value of stock and other property contributed to a foundation that is not distributed by the foundation in one year. The immense personal fortunes transferred to create the earlier foundations provided substantially greater tax advantages. The full amount of the appreciation is deductible today if the donor makes the same gift to a qualified charity. The new law also increased the reporting responsibilities of foundations, required them to pay a federal excise tax on their net investment income, and required them to expend each year an amount equal to either their net income (excluding long-term capital gains) or to 6 percent of the market value of their assets, whichever is higher. For existing foundations, the 6 percent requirement was phased in over a period of time, but for new foundations it was effective immediately. Up to that time, there had been no specific payout requirement. Other provisions of the new tax law prohibited "self-dealing," tightened permissible investment activities, and restricted foundation ownership of controlling interests of the business.

During the 1960s new foundations were being created at the rate of about 2,000 per year, but the 1969 act not only curtailed that rate but prompted many small foundations to liquidate rather than

meet what they considered excessively burdensome administrative requirements.

The desultory management of foundation assets will likely continue to improve in the years ahead as it has recently, and this will increase earnings available for payouts to charity. Aggressive investment of assets seemed relatively unimportant to many foundation directors and professional staff in years past. For many, there was little choice because their foundations were created with blocks of stock, and it did not seem prudent to dispose of them. Some were forbidden by their charters to dispose of donated stock. But for the most part, the undistinguished record has been a result of inattention. As noted earlier, this is an important matter to the grants seekers because an improved performance of only several points in the rate of return will make millions more dollars available for distribution. In 1982, education received \$634 million from foundations, more than twice as much of the foundations' giving as the next closest group of recipients. The private universities and colleges received 23.1 percent of the money and their public counterparts received 8.5 percent. Both improved from the previous year, but the greater increase was enjoyed by the public institutions.

Foundation support of education

Like the corporations, foundations seem more interested in supporting specific projects and target areas than in making general purpose grants. Though the notion has been somewhat romanticized, the foundations have been noted historically as sources of seed money, venture capital, innovation, and the like, but they also have provided desperately needed grants to the private institutions for general purposes. Now there seems to be a growing tendency for more of them to define their interest fields and focus their available resources more narrowly.

This trend should redound to the benefit of the public institutions, since their general operating budgets are more or less "safe." Heads of institutions fighting to avoid severe reductions in legislative appropriations will take issue with that characterization, but many of their counterparts at the private institutions as a matter of absolute necessity have to look to the private sector for a goodly portion of their annual operating revenues. The gift dollars sought by the public institutions for special interest fields are in many cases the dollars that the private colleges must seek literally to keep the doors open. The grumblings and mutterings from private institutions, mostly good-natured to this point, are getting louder as the public institutions increase the intensity and the sophistication of their incursions into the preserves that heretofore have been the exclusive territory of the privates. Occasional forays are becoming blitzkriegs as foundations identify interest areas that parallel not only the interest of the public institutions but their expertise and resources as

well. They can and will be highly competitive in their quests for foundation support. On the other side of this competition coin, many chief executives who have been trying to win a bigger slice of the appropriations pie for their publicly supported schools are finding aggressive and well-organized forces on the independent school side vying for the same limited dollars. State support of private higher education increases apace through grants tied to the numbers of students enrolled at private institutions and various other formulas. A higher degree of friction seems inevitable as the two camps seek the resources they need from the same limited pot.

Julius Rosenwald, a pioneer philanthropist in the foundations field, once said, "...I can testify that it is nearly always easier to make a million dollars honestly than to dispose of it wisely." There probably is not one of us laboring to increase the private support of our institutions who has not on occasion yearned to be a major donor rather than a supplicant. For most of us in this profession, personal benefactions are necessarily modest, and we find it difficult to choose from among worthy causes as we consider how to distribute our limited resources. Foundations, too, which exist solely for charitable purposes, find intelligent philanthropy a challenging undertaking. There is not a universally high level of professionalism among the foundations in the matter of giving away money, but we can expect a continuation of the improvement in recent years. Foundation board members, executives and staff, like those persons responsible for corporate giving, will bring to their tasks an expertise not always seen in the past. Even in the largest foundations there are still considerable differences among board members and staff in experience and general suitability. But as the finite resources of the foundations are sought more intensively by all segments of higher education, and as the relative worthiness of those appeals becomes more and more difficult to judge, the foundations will employ more sophisticated evaluation techniques and utilize the best full- and part-time counsel they can attract. The applicants as well as the proposals will be more carefully scrutinized; there will be more follow-up with successful applicants after grants are awarded; and there will be more formal evaluations of what their investments accomplish when that is appropriate to the nature of the grant.

All of this is important to the public institutions that expect to be successful in working the foundation vineyards. They must pay more attention to the foundations' announced areas of interest as they do the in-depth research necessary to match donor interests with their own needs. The professionalism with which the development staff of an institution conducts its end of the business must be at least equal to the professionalism with which the proposal will be weighed, and it must be superior to that of the competition. Development officers sometimes see themselves, and are too often perceived by others, as practitioners of some arcane craft. What they should be are masters of

a delicate methodology. There is hardly anything new under the development sun. The challenge is to take the tried and true, adapt it to the situation at one's own institution, and do it better. The development staff person responsible for foundations work, for example, should facilitate bringing the strengths and interests of the institution to the attention of the foundations. But rarely should that staff person be the institutional representative in negotiations with the foundations. Foundation officers prefer to discuss programs and projects with the faculty member or other person who will be responsible for the activity, who has the expertise to carry it out effectively, who can discuss the finer points of the issue with insight, and whose scholarship on the subject is impeccable. Employing this methodology, the development officer guides the process expertly until it culminates with the opportunity for the two representatives to discuss the proposed program in detail. There are exceptions, of course, in instances where the development officer has a close relationship with the foundation staff, but generally the development person can make the most effective contribution by being the professional counselor to the process.

There is today a clear potential for increased private giving to our public colleges and universities. They have earned the support they now receive. They are highly productive. They are educating and re-educating the young and the not so young, discovering new knowledge and new applications of old knowledge, and transmitting information to users at a rate unparalleled anywhere in the world. Our best public institutions, by any standard one may choose to apply, are absolutely first rate. There is among them a healthy diversity and a vitality that incubates the new while preserving the heritage of the old, that allows them to be immediately responsive to the changing demands of society while cherishing the uniqueness of their founding.

Increased support from corporations and foundations will flow to those public institutions that tell their institutional story better, not through dazzling productions and the deft use of the public relations airbrush, but through the professional marketing of their strengths.

Chapter 9

CAPITAL CAMPAIGNS AT PUBLIC INSTITUTIONS

by Robert B. Rennebohm

Capital campaigns are a relatively new activity of public universities and colleges in the United States. Following World War I, there were a few major memorial projects that might be classified as capital efforts of the old variety -- a single purpose or building project. It was not until after World War II and the full force entry of public higher education into the fund-raising picture that capital campaigns became a regular activity. Again, most of these were the single-project variety, such as a \$5-million centennial drive at Wisconsin for an adult education, public activities, and alumni center in honor of the university's 100th year in 1948. Michigan launched the first multiple-purpose effort with its \$55-million Phoenix campaign in the early 1950s.

While still short of the recent private school goals of \$400 million at Columbia, \$350 million at Harvard, and \$275 million at Princeton, we now see plans underway for raising \$160 million at Michigan, \$100 million at Illinois, and \$200 million at UCLA. A Brakeley, John Price Jones, Inc. study of capital campaigns running from the planning stage to completion during 1981-82 revealed there were 19 public institution campaigns with a total goal in excess of \$1.28 billion. Of that goal, \$316 million had been received.

Given the premise that public college and university fund raising is basically for those projects and activities not likely to be supported by the state -- at least in the foreseeable future -- can we expect the same success in such significant, multi-million dollar and multi-project campaigns as the private institutions have had? The deep recession of the early 1980s has made it difficult to evaluate these major public efforts, particularly with such important industries as autos, steel, and petroleum experiencing severe declines in profits. Unfortunately, state governments, with corresponding declines in tax revenues, are in the same boat. Consequently, the capital and operating budgets of the state universities and colleges have suffered badly and the pressure is severe. Will the temptation be so great as to change the basic approach and will we see campaigns by the public institutions designed to make up the shortfall from state and federal tax sources?

Only time will tell how successful the current capital drives will be, but public education is well geared and well staffed to mount significant capital efforts. The best available individuals, alumni and nonalumni friends, will have to be enlisted to lead these drives and the six- to 10-figure gifts that have

become quite frequent in recent years will have to be secured in increasing numbers to reach these large goals. A healthy stock market riding a post-recessionary boom is also a must for success.

A sampling of the opinions of several leading public university development directors in the summer of 1983 on the prospects for public institution campaigns brought forth the following consensus.

General considerations

Capital campaigns are here to stay for public institutions. Having tasted success and having strengthened their staffs with ambitious, even aggressive, new fund raisers, public colleges and universities will continue to expand their capital campaign activity. Despite the cultivation and receipt of many major gifts and the steady rise in private gift dollars throughout the recession, most development officers feel that the untapped potential is great, particularly among individuals, and that the future for public fund raising, including capital campaigns, is bright. However, competition will be quite significant, among not only colleges and universities but also hospitals, nursing homes, community and health groups, and the usual cultural, charitable, and religious organizations that will be trying to capture major gifts. The case statement for support of public education will have to be very real and very persuasive if it is going to capture the attention and imagination of major prospects and the key volunteers so essential to the leadership and success of capital drives.

Attitudes toward private support

Alumni and other constituencies of public institutions believe that private gift efforts must be increased if these institutions are to carry out their expanded role in developing the bright young minds of the nation. Maximum and even greater enrollments at major public universities during a period of fiscal retrenchment by the federal and state governments dictate the need for more private gifts. Similarly, the public universities are being called upon to help their states develop and expand new high-tech and white-collar industry to replace the old heavy industry and outmoded factories. Most people believe that tax sources must continue to be responsible for "bread and butter" projects and programs of the institutions. However, much "fat" has been taken out of the tax-supplied budgets, including fat that did not exist. The result has been a significant shortfall that more than likely will have to be funded with private gifts if the integrity and vitality of public education are to be maintained. Most agree that when the present emergency is eased, fund-raising efforts will revert to their traditional role of underwriting special projects that enhance the state's efforts rather than

replace them. Attitudes vary considerably from university to university so it is difficult to form a consensus on this subject.

Projects for campaigns

Projects for capital campaigns in the foreseeable future will focus, at least at major institutions, on campus-wide multi-project efforts rather than the old style single-project efforts now often referred to as mini-campaigns. Multiple projects involving major schools and departments of the institution will be coordinated into large institutional efforts with the best possible volunteer leadership heading up the campaigns. Some of the mini-campaigns will continue, of course, and in some cases combinations of them will represent the institution's continuing capital campaign strategy.

Specific purposes most likely to be included in these capital campaigns will be special-purpose buildings and facilities and endowments for professorships, lectureships, fellowships, and scholarships. Pools of funds designed to provide additional salary, auxiliary allowances, and other inducements for those faculty most subject to raiding by other institutions will be a new project on the scene.

In the case of multiple small campaigns, there is the danger that key prospects may be subject to high-level solicitation for several campaigns at the same institution. For example, a person might spend the first two years in the College of Letters and Science, switch to the School of Business for an undergraduate degree, and then go on to Law School. Assuming he or she became a highly successful lawyer, each of the three schools or colleges would consider the prospect their's for solicitation purposes. The central development office must take utmost care to coordinate these efforts and make sure such alumni are not bombarded with multiple requests that will quickly turn them off. A good research department is indispensable in such coordination, and in all phases and activities of a capital campaign for that matter.

The annual fund and capital campaigning

The term capital gift itself indicates how it differs from an annual gift. It means a gift from the donor's capital for capital purposes, as opposed to annual giving, which comes from income. To succeed, capital efforts must attract major gifts well beyond the size of annual gifts.

There is always the fear that the annual fund will suffer from a capital campaign. In a 1961 study of 21 schools and colleges, Austin V. McClain found that the annual fund of an educational institution may increase as much as 34 percent in the second year following an intensive capital gifts campaign. The study showed a modest decrease the year after the campaign but, following the

dramatic rise in the second year, the annual fund maintained and improved on its new and higher plateau.

Many public institutions have not developed their annual funds to their greatest potential. Rather than lose this vital source of support, the annual fund should be continued during the capital campaign. Institutions must exercise care in explaining the difference between the two and the need for the complete success of each. Besides keeping the flow of annual gifts coming in, the presence of both efforts together helps dramatize the larger size of capital gifts when compared to annual giving.

The role of the president

The president or chancellor of the public institution will be the key person in the planning, implementation, and clean-up phases of the campaign, just as is the case at private colleges and universities. Planning takes on added significance with the new multi-purpose, high-dollar goals of drives today. To succeed in these efforts, there must be an ever-expanding base of support. If more donors to public institutions are to be enlisted, the institution's needs must be prioritized and effectively portrayed in the case statement. The chief administrator's goal and ambitions for the institution become the guiding force in this planning.

In the advance and general gift stages of the campaign, the campus leader must be on call for those high-level solicitations where the prospective major donor wishes to deal only with the top officer. Egos become very large when most large gifts are made, and the president must be there. The public institution's leader has the added responsibility of explaining why a "tax-assisted" institution must seek such large capital gifts.

The clean-up stage presents problems that relate to how much money came in and for what purpose. If insufficient unrestricted funds come in for the projects, the chief executive has to bite the bullet and decide which ones will and will not be funded. He or she can base decisions partially on which projects most likely will be funded eventually with state or federal funds when the tax coffers are refilled. Results of the campaign will show the administration how its priorities have been accepted or rejected by the public, and a graceful realignment of those priorities may have to take place as follow-up and clean-up calls are made.

Stewardship after the campaign

Following and even during a major campaign, the groundwork for the next campaign is laid. Adequate thank-yous to volunteer leaders, solicitors, and donors must take place if there is ever to be another successful effort. An important element of this post-campaign stewardship is the administration and investment of the funds received. Public institutions all too often dump their funds into large pools managed by state government bureaus. While

capable investment officers and consultants may be used, the endowments tend to take on the appearance of state tax funds and to lose their special identity and personality. Many public institutions now use separate foundations to raise, invest, and manage both annual and capital funds. Volunteers who have raised the money appreciate the confidence that the institution places in them when it gives them the opportunity to manage the funds. Joining with other alumni and friends having great expertise in this area is enjoyable and is much preferable to seeing the funds placed in big, impersonal pots. This management role helps establish a continuing and closer relationship between the volunteer leader and the institution. It is much easier for the institution to move into its next capital venture with an established team of high-level and proven volunteers on board than to begin the entire recruiting, enlistment, and training process over again.

Conclusion

The balance of the 1980s will be a most interesting period for the nation's public universities and colleges. Literally starved during the first third of the decade because of insufficient tax appropriations, they will be scrambling to make up for lost time and lost revenues. The same situation prevails with the state's highways, its prisons, and its health and welfare agencies. These do not have alumni to turn to, so competition for the state tax dollars, even if expanding with economic recovery, will be severe. Because higher education cannot stand still or remain static, the push will be on for the big gift dollar and capital campaigns will be widespread. May they all succeed.

Chapter 10

PLANNED GIVING PROGRAMS AT PUBLIC INSTITUTIONS

by J. Robert Sandberg

The term planned giving has little meaning for the uninitiated and is variously defined by fund-raising professionals. Put simply, a planned gift is a gift of significant value made by an individual, either directly or through a controlled entity. Typically, the planned gift:

- * represents an infrequent or once-in-a-lifetime action;
- * takes full advantage of tax incentives for philanthropy;
- * has a positive or negative effect on future income and financial security of the donors and other individuals;
- * is realized over a wide range of possible time frames;
- * comes from the donor's capital assets rather than discretionary income; and
- * achieves multiple personal objectives of the donor.

Although planned giving is sometimes called "deferred giving," with its implications of delay and the exclusion of outright transfer, that term fortunately is gradually disappearing. Even though a gift may be deferred, it still requires current action by the donor.

Within a development operation planned giving is frequently distinguished from annual giving and corporate-foundation support for organizational, budgetary, and analytical purposes.

The gift level that distinguishes annual from planned giving is necessarily arbitrary. An amount that would require serious planning by one person might for another be an impulsive gift from discretionary income. Each institution can establish its own definitions for programs within the development operation. For example, the University of Nebraska Foundation defines planned gifts as those at \$10,000 and above if they are outright transfers and at \$20,000 and above if realization is deferred. These amounts are also the minimums to qualify for the first level of its major donor societies.

To look at planned giving programs from the perspective of public colleges and universities presumes that there are differences between the programs of private and public institutions. In one important respect there are no such differences. A qualified 501(c)3 organization is a 501(c)3 to the Internal Revenue Service, with no distinction in the tax treatment of gifts. The extensive literature and professional training programs for planned giving apply equally to fund raising for all types of nonprofit organizations.

The differences that do exist between publics and privates are relative and mainly affect the marketing to produce planned gifts. And marketing strategies vary more widely within the total body of public colleges and universities than they do between comparable public and private institutions. Except for a section dealing specifically with relatively young public colleges, our comparisons of planned giving for public versus private institutions assume that both types share certain characteristics: they are old enough to have alumni in their sixties and seventies; are perceived as having an assured future role in education; and are respected for the quality of their teaching and services to society.

Differences affecting marketing strategy

Given these common characteristics, there remain some general differences between the natural constituencies of comparable private and public colleges and universities. The differences are matters of degree or frequency, with many individual exceptions, but are significant enough to be factors in the marketing of planned giving. A public institution's constituency tends to be characterized by:

- * a larger total number of former students;
- * a smaller percentage of alumni in the older classes (reflecting rapid growth in public universities since World War II);
- * more nonalumni;
- * less average wealth per person or family;
- * less sophistication in estate planning;
- * less orientation toward philanthropy (no indoctrination as a student or young alumnus);
- * fewer family traditions of philanthropic giving;
- * belief that tax appropriations cover most of the cost of education (with some basis in fact at the time older alumni attended); and
- * reluctance of volunteers to suggest large gifts.

Implications for marketing the planned giving program

At best, any planned giving program is a search for needles in a haystack. Only a fraction of 1 percent of a constituency is reasonably receptive to considering a planned gift at any particular time. For the public institution, the larger constituency makes identification of genuine prospects even more difficult.

Aside from the financial capacity to make a large gift, other factors affecting probability enter the equation that determines who is and who is not a prospect. The most important factors -- subjective and difficult to ascertain -- are a sense of identity with the institution and a lack of competing charitable interests or family obligations.

Identifying high-potential individuals is a marketing researcher's nightmare. The alumni of large state universities are scattered from coast to coast, have entered many different fields of endeavor, and rarely return for reunions. Not even past annual giving records (if available and accurate) can be relied upon. A long and consistent individual giving record is a positive sign, but only a "maybe" signal for a planned gift. Conversely, the absence of prior giving is not a "no," and may reflect a bequest in the donor's will.

Without the traditional giving network of a private college, the public institution's planned giving program must have as its primary objective the self-identification of prospective donors through a continuous flow of messages designed to elicit a response. Methods that may be used include articles and offers of helpful information in institutional publications, advertising in general media, publicity for gifts received, direct mail with response cards, estate planning seminars, reunion class gift programs that include credit for deferred giving arrangements, and contact with consulting professionals (tax attorneys, bank trust officers, and so on) serving the constituency.

The leads provided by volunteers supplement those produced by self-identification. Volunteer leaders need to be as well educated as possible in the types of personal situations that make a significant charitable gift feasible. Compared to private colleges and universities, volunteers for public institutions tend to be less willing to make actual prospect contacts and arrange for staff introductions. The exceptions are to be treasured and used.

The public institution's constituency includes many people in modest financial circumstances who, because they have no competing interests or obligations, can consider a significant gift. For this reason, be sure to use illustrative examples at the low end of the planned giving scale. When donors understand the advantages, they raise their sights.

Most planned gifts received by public colleges and universities are designated for a particular academic field or for specific purposes in line with the donor's special interests. The development office and in particular the planned giving officers are caught between the donor's desire to identify closely with the use of a gift and the administration's strong preference for unrestricted funds. Finding the middle ground that gives satisfaction to the donor without putting the institution into a straightjacket is as much an art as a science.

A rigid donor can usually be made to understand the need for some flexibility in an agreement governing a permanent endowment, and a provision for broader alternative uses may be acceptable. Some donors agree merely to state a preference for the use of principal or income of a gift fund. And planned giving literature describing memorial naming and designation opportunities

should include the unrestricted gift fund "to meet whatever needs are greatest."

At the same time the planned giving officer is working with donors to make them less project oriented, administrators can be educated to understand that the degree of flexibility they prefer would inevitably reduce the volume of large individual gifts.

Donors to public institutions generally are cool toward bricks and mortar for basic classroom facilities, "faculty enrichment," basic research (except in medicine), and the nonvocational disciplines. Instead, donors most frequently favor student assistance, usually of undergraduates rather than graduate students (reflecting the small numbers of graduate students at the time donors were in college). Applied research, fine arts, service programs, and professional colleges are other popular beneficiaries.

One way to add to the quality and prestige of teaching, encourage research, and provide assistance to graduate students is the named distinguished professorship created by a partial rather than a total endowment. An endowment in the low six figures can provide for a supplemental stipend over and above the going faculty compensation scale; graduate assistantships; and supplemental funds for travel, research, and equipment. This ability to combine private endowment with basic state support is a particular advantage enjoyed by public institutions and their benefactors. An appropriate policy and steady promotion of this concept have much more potential than looking only for the million-dollar gift for a totally endowed professorship.

Public recognition of a major donor is a powerful incentive. When a prospect indicates a lack of interest in recognition, don't argue -- but don't believe it. At some point the institution's expressed desire to do honor will be willingly accepted, and will eventually provide great personal satisfaction to the donor. Gift clubs with their annual listing, high quality plaques, and annual meetings not only recognize past gifts but are probably the most cost-efficient way of obtaining additional gifts.

The marketing of planned giving for education and other nonprofit organizations is the ultimate marketing challenge. Marketing of goods and services essentially appeals to the customer's tangible self-interest. "Selling" the idea of giving away money, at some cost to donors or to their heirs, requires a subtle and complex mix of intangible benefits and technical explanations.

Organization and scope of program

An institutionally related separate foundation is especially beneficial for the planned giving program at a public institution. Alumni and civic leaders on its governing board and committees provide more credibility and continuity than do institutional administrators who come and go. The foundation's

volunteer leadership can provide the information, influence, and networking that trustees of private institutions give to their voluntary support programs. There are further benefits: (1) foundations buffer expendable gifts and endowed funds from political control; (2) management of funds and life income trusts is a foundation's major fiduciary responsibility, not subject to the annual institutional budget battles; and (3) essential travel and entertainment are not subject to government limitations.

The planned giving program needs to be integrated into the development operation, both organizationally and physically. Annual giving and corporate giving overlap and interrelate with planned giving in many instances. Planned giving professionals will usually be too few in number to make all necessary field contacts and therefore must be readily available to support anyone on the staff who is in contact with potential donors. A structure that treats planned giving as a self-contained and self-directed operation leads to less sharing of expertise. At worst, such segregation can lead to competition for budgetary support and to the hoarding of prospect information.

The coordination of planned giving with annual giving requires extra attention and effort when the annual fund is handled by the alumni association, which typically has its own board and volunteer committees, instead of by the institutional development office or related foundation.

The functions included under the banner of planned giving vary from one organization to another. At one extreme, the planned giving person is merely a calculator of charitable deduction factors and after-tax income results, as requested by field contact personnel. At the other end of the scale, practically all field contact personnel are part of the planned giving operation.

Other functions that can be part of planned giving include the selection or writing of literature, training of other staff members and volunteers, conducting prospect research, organizing educational seminars, preparing individualized proposals, working with a prospective donor's advisor, monitoring changes in law that affect charitable giving, recommending acceptance and investment policies involved in split-interest transfers, directing major donor societies, and cultivating professional counselors. If any of these functions is not part of the planned giving officer's responsibility, those who are responsible need to be in close contact with planned giving.

An inherent problem is the dual nature of the market. It includes two different groups that must be educated in the relative advantages of various giving methods, at two different technical levels. For the general public (including alumni), the emphasis in literature and seminar content is on simple concepts with explanations of the unavoidable technical terms and the relevant tax law provisions. A smaller but important market

consists of attorneys, accountants, and other financial advisors who might be presumed to know the intricacies of charitable financial planning, but don't. Few practitioners have large numbers of clients who regularly seek professional help in arranging major charitable gifts. The experienced planned giving officer is frequently more knowledgeable in this narrow specialty.

Tact and diplomacy are needed to assist both prospect and advisor without putting down the latter in the client's eyes. One technique is to provide the prospect with a two-level proposal. The planned giving officer submits a cover letter and summary analysis of results backed up by more detailed explanation of the assumptions, tax calculations, and any technical factors. The officer gives the prospect an extra copy of the entire proposal and urges him or her to share it with the advisor. The officer also offers to answer directly the advisor's questions or suggestions. This gift plan can be revised jointly with deference to the advisor's position, thus adding to the donor's confidence in the proposal.

A comprehensive planned giving program includes two communication tracks, one for individual prospects and one for professional counsel. Many consulting and publishing firms offer excellent booklets and newsletters of both types, and nationally recognized speakers can present seminars designed for either donors or professionals.

How large a planned giving staff is appropriate for an institution is a difficult question. The answer must be found by working backward from the potential market and goals, taking into consideration what functions are to be included and what services (writing, designing, direct mail, legal counsel, research) are available without adding personnel. At a minimum, consider one full-time planned giving officer and a secretary-assistant.

Probably no public college or university has ever reached the maximum planned gift staff. Few have ever approached a point of diminishing returns. Realistically, it takes time for a planned giving program to prove itself and grow toward its optimum size. It sometimes takes the threat of failure of a major fund-raising campaign before enough is invested in planned giving to prove its worth.

A possible reason for chronic understaffing of planned giving (and of development in general) is that the economics are upside-down compared to academic and business management. The business manager spends a lifetime hoping to have at least \$10 remaining as profit for every \$100 of business done. Costs represent 90 percent of sales, and any significant percentage increase in expense items can wipe out the total profit. The college administrator has spent years aiming to break even at the end of the fiscal year -- in other words, working with a budget that is 100 percent cost. Serious problems occur if any expense gets out of line.

For the chief development officer to say, "Let's double the budget, and we will greatly increase net voluntary support" is likely to trigger a visceral instead of a cerebral response. Yet, look at the figures assuming a not-unreasonable 20 percent cost of fund raising. (Many institutions manage to stay under 10 percent.)

	ORIGINAL DEVELOPMENT OPERATION	DOUBLED OPERATION		
		20% INCREASE IN GIFTS	50% INCREASE IN GIFTS	100% INCREASE IN GIFTS
Gifts	\$1,000,000	\$1,200,000	\$1,500,000	\$2,000,000
Costs	<u>(200,000)x2</u>	<u>(400,000)</u>	<u>(400,000)</u>	<u>(400,000)</u>
Net	\$ 800,000	\$ 800,000	\$1,100,000	\$1,600,000
		(break-even)	(+37.5%)	(+ 100%)

Net voluntary support will increase if a 100 percent increase in expenditure raises total gifts by any amount more than 20 percent. Real life, of course, is not quite so simple. Doubling costs may more than double gift results if prior activity has been low, or less than double gift results if the program is closer to realizing its full potential. Further, the increase in gift results will lag behind the increased expenditures, and the added gifts are not likely to be designated for development expenses. Nevertheless, the startling dynamics of an operation that is 80 percent or 90 percent "profit" need to be better understood by decision makers.

Another important question concerns where one finds a planned giving officer. It has been a largely accidental career in the past, starting with ministers who displayed a knack for soliciting gifts for the church-related college. Recently we have seen a trickle of younger persons purposely entering the field of institutional advancement. However, the requirements of technical knowledge, communication skills, sensitivity to older persons, and commitment to the job make planned giving more than an entry-level position.

The development manager has three choices:

1. Hire a ready-to-run experienced professional from another institution. There is usually an ample supply of skilled individuals looking for advancement opportunities.
2. Find the right person in terms of brains, maturity, personality, and identification with the institution, and

send him or her to one or more of the excellent short training programs available.

3. Search out a person with the same attributes who has experience related to some aspect of planned giving. Professions in which to look include insurance, law, accounting, alumni work, and one's own development operation. The most closely related job is that of a trust officer in a large bank, particularly one who has been involved in marketing trust services. Given the talent and initiative needed, only the alumni and development staffer and the trust officer may be interested in the usual salary range of the university planned giving officer.

The scope of the planned giving program should be broad enough to offer a reasonably wide range of giving methods -- the line of products. Otherwise, too much of the effort will be wasted on prospects whose personal situation does not happen to match the few types of gifts suggested. At the least, one should be able to explain, promote, and handle outright transfers of cash and appreciated property, bequests, and charitable remainder trusts established with trustees other than the institution.

The program will be stronger if the institution or its foundation is qualified to serve as trustee in cases where it is the sole remainderman. The ability to offer one or more pooled income funds and to issue charitable gift annuity contracts (claims on the total assets and income of the payer) is less critical.

Life-income giving methods are the cornerstone of a planned giving program. Donors can improve their spendable income, provide more financial security for a surviving spouse or other heir, or transfer current income to an individual beneficiary. Aside from their advantages in carrying out the donors' personal objectives, the methods are easier for volunteers and staff members to promote. Some negotiations that start on the subject of a life-income arrangement end with an outright gift. In other cases, the donor turns back much of the improved income as annual gifts. Finally, life-income methods are irrevocable.

A principal requirement for the successful planned giving program is the patience and persistence of all concerned. They must understand that the program is of long-term benefit, not a quick fix for current financial problems.

Mistakes in planned giving

In any planned giving operation, there are certain mistakes that can hamper progress.

The part-time planned giving officer. The boss notices that the planned giving officer (PGO) does not always have a major negotiation in the works and decides it must be about a half-time job.

He or she assigns other responsibilities in addition to the planned giving program. Typically, the added functions have a greater urgency than most planned giving opportunities. What goes down the tube? Sending the friendly note to an annuitant in the Sun Belt...browsing through giving records...taking time for some cold calls as part of a trip...analyzing last year's results and costs...taking a lawyer to lunch...attending a workshop...reestablishing contact with a once-hot prospect who cooled for some reason...writing one's own literature or segments to be added to purchased copy. In short, the officer neglects all the things that should be done to increase active negotiations and closings.

The nearly-full-time insurance salesman. Life insurance is a valuable estate planning tool, which frequently can play a useful role in making possible a significant charitable gift. However, any proposal to involve the planned giving officer in selling new life insurance policies should be carefully analyzed. When based on the wide spread between the death benefits and the low premium cost for a relatively young insured donor, the discounted present worth of the eventual gift can be minimal compared to the time and effort involved. Such plans do open up a large new body of younger alumni to the possibility of a planned gift, but you may not yet be realizing the potential in older classes. Further, there is risk of devaluing the minimum amounts required to qualify for a major donor category.

Hiring the ideal volunteer. There's a vacancy for planned giving officer and (serendipity!) a volunteer leader who knows all the right people in town has just sold the family business. There are risks in putting these two events together. The new PGO cannot know everyone, and may or may not prove eager to work with total strangers. A more subtle problem is that not all prospects want to share their financial planning with an acquaintance. In smaller towns and rural areas, many individuals cross the county line or go hundreds of miles to draft their wills. Perhaps they trust their usual lawyer but, in a financial advisor, they seek confidentiality and expertise, not friendship.

Rigid compensation rankings. The planned giving officer reports to the director of development who reports to the vice president for institutional advancement. It is unlikely that an ambitious lawyer or CPA can afford to take the job at the third level down. Further, the organizational chart for a development operation is typically wide, not deep. With little opportunity to move up in rank, the effective planned giving officer may have to move to another institution to get more money. When this happens, a new PGO must reestablish invaluable personal relationships. To solve this problem, administrations should consider some exceptions to the rigid linking of rank and salary in positions that require professional skills and that benefit from long tenure.

Overkill. A friend of the institution expresses interest in making a gift. Considerable wealth is involved, and the PGO

proposes grandiose schemes until the prospect is turned off by the pressure and the assumption that the bulk of the estate should go to one cause. It is a delicate judgment, of course, but the planned giving officer must be prepared to restrain his or her superiors and keep the cultivation and negotiation at a pace the prospect finds comfortable and seemly.

Selling an investment. The incentives in tax law are so favorable when certain types of gifts are used in the right situations that the planned giving officer may become a seller of investment services. Most donors still want to be appreciated as generous individuals. Tax savings and increased lifetime income make it possible to be more generous, but the PGO must not ignore the charitable motivation. It is an error to give so much emphasis to deferred gifts that you miss opportunities for an outright gift.

More advertising than follow-up. Although it is difficult to send out too many messages to a scattered and diverse constituency, promotions must be paced to preserve the budget and avoid the sense of undue pressure. Further, promotions must be balanced with the organization's ability to detect and to deal with the responses. It is a waste of printing and postage costs if individual responses are not researched and contacted, with follow-through in the field whenever justified. Time seems short to older people. The prospective donor who has sent a signal and is ignored for several weeks feels rebuffed -- and may well be permanently lost.

Auditor's syndrome. Market-related policies set by individuals with a strong financial management background can hamper the effectiveness of a planned giving program. An example: confusing recognition guidelines with the balance sheet. Naturally a bequest in the will of a living friend is not an asset because the will is a revocable instrument and the gift is not complete. But this is no reason to withhold gift club recognition for which the intended gift qualifies. Recognition and subsequent cultivation can make a revocable arrangement irrevocable in practice. Another error is to limit the types of acceptable assets and giving methods to those that are simple and easy to handle. When the present worth of a future realization justifies some extra handling, remember the original Marshall Field's motto, "Give the lady what she wants."

Suggestions for younger and smaller institutions

To this point we have been assuming that the institution has a promising future, and is a highly respected supplier of education. What if the oldest former students are just entering their fifties, some legislators have questioned the institution's existence, and its educational programs are useful to society but not prestigious?

Under these circumstances, does one create a position and hire a planned giving officer? Probably not. At the next budget crunch it could be one of the first positions to go, if the PGO hasn't already moved on in frustration at the slow progress.

Should planned giving be included with the development program? Definitely yes. There are a number of things that can be done at little or no cost and that have a reasonable chance of relatively high payouts.

First, either the chief administrator or financial officer -- or both -- can visit a few neighboring institutions for informal discussions with development and planned giving officers. They know the situation well and will be helpful and candid. Consider sending the financial officer to one of the shorter planned giving seminars offered around the country. If there is a state or local professional fund-raising organization, someone representing the institution should join and attend selected programs.

Second, prepare a simple but effective piece of literature that states the mission of the institution, expresses its interest in receiving significant gifts, and summarizes some of the many advantageous ways to make a gift for education. If help is needed, a few hundred dollars to a nearby PGO who writes his or her own material should prevent amateur mistakes. Keep the piece inexpensive, and make it available at senior citizen classes, concerts and lectures, service club meetings, and any other events that offer contact with the public. The more arrows into the air, the more likely a yelp from a thicket now and then.

Your legal status for receiving gifts must be confirmed, and the legal name of your institution as beneficiary of a bequest should be included in the literature. Line up some volunteer experts to assist on technical questions when the possibility of a gift presents itself. You should be able to locate, whether on the board or in the community, a retired realtor who could help with a gift of real estate, a sympathetic bank officer, an attorney, and an accountant willing to assist when needed.

Consider having a standard suggested wording that provides for a secondary purpose if the institution for any reason cannot accept and use an eventual deferred gift. This is not defeatism but reassuring realism -- and a service the donor will appreciate.

Revocable gift arrangements are another way to get around donor doubts about the long-range future of an institution. For someone with a living trust that includes charitable distributions at the death of the grantor, suggest inclusion of the institution as a beneficiary. The trust terms can be changed if the situation warrants. A simple and cost-free revocable provision is to name the institution in a "POD" (payable on death) designation on a savings account, certificate of deposit, or other personal account as permitted under state law.

Life insurance policies are frequently kept in force after their original purpose no longer applies. Making the institution the beneficiary is another revocable arrangement that costs the donor nothing and takes little effort.

If the area is served by a community foundation, learn about its policies and practices. A donor can get "two bangs for the buck" by making a gift to the foundation, yet designating it -- or expressing a preference that it be used -- for the institution. If the foundation maintains a scholarship fund, make sure your students are eligible. If the community foundation has a sophisticated planned giving program and serves as trustee of charitable remainder trusts or other life income giving methods, the small institution has an opportunity to promote a more comprehensive planned giving program with little cost and no responsibility for management. Also a publicized single endowment fund for the institution can have the advantage of attracting unrestricted future support.

Without a planned giving officer, the smaller institution must encourage its administrators, faculty, and members of support groups to be aware of giving opportunities and potential donors as they move through the community. The investment is slight compared to the potential benefits.

Advantages of being public

A public college or university need not be at a disadvantage compared to private institutions in planned giving if it recognizes its potential areas of strength and is willing to invest time and money in a consistent long-range program.

Inherent strengths of a public institution include:

- * Ability to appeal to nonalumni in (and from) the state or region the institution serves. The farmer's widow or the retired business owner, neither of whom attended college, may identify more easily with a state institution serving all the people than with a private institution they may view as more exclusive.
- * A constituency more in need of education on estate and gift planning and more appreciative of information and assistance in this field.
- * The luxury of being able to wait for deferred gifts, thanks to underlying tax support, without urgent annual appeals for large gifts to sustain the institution.
- * The knowledge that an important state institution will survive to use and honor a perpetually endowed named fund.

With these advantages, why are planned giving programs at public universities weaker than those of their private sister institutions?

Private colleges and universities have done better because they have had no other choice. They have not had the option of turning to the legislature for added funds to renovate, expand, or excel. Their planned giving programs receive a priority call on institutional resources. The programs are more likely to be staffed with adequate personnel, who have time for performance analysis and funds for testing new techniques.

In the public sector, too often the chief executive's primary interest in development is to get the money tomorrow for something promised yesterday. Some presidents and chancellors have little concern for the financial support of their successors' successors. Governing boards selected through political processes tend to be less aware of the nature of planned giving programs and their potential for significant voluntary support. Instead, they are more concerned about the levels of tax support and tuition.

These attitudes are shifting, as administrators move from private to public institutions and as the percentage of total budgets coming from tax appropriations declines. Voluntary support cannot relieve the obligations of the state. However, with adequate staffing, realistic compensation, and a long-range perspective, a development program -- including a planned component -- can materially contribute to the public institution's "margin of excellence."

Part IV

Special Considerations

Chapter 11

RAISING FUNDS FOR FACULTY SUPPORT

by Marion B. Peavey

Endowed chairs have a long tradition. The oldest is a professorship of divinity at Oxford established in 1502 by Lady Margaret Beaufort, mother of Henry VII. The first endowed chair in this country was supposedly established by Thomas Hollis, a London merchant, at Harvard College in 1721 -- the Hollis Professorship of Divinity. Both of these chairs have been held by a continuous line of outstanding scholars and continue to serve their universities and society.

Endowed chairs bring prestige to the professor holding the chair, the donor whose gift made the chair possible, the person whose name it bears, and the university at which the chair is located. Endowed chairs have grown in popularity over the years, as an endowed fund is a permanent living memorial that recognizes the donor's strong belief in intellectual values and social responsibility.

The endowed chair is important to the faculty member as it clearly indicates that this chairholder is of distinguished intellect and has proven his or her capabilities in the academic world. In addition, endowed chairs represent the most immediate and visible means of attracting, retaining, and honoring distinguished faculty.

Universities have established a variety of types of chairs, including the permanently endowed chair, which exists as long as the university itself exists. Other chairs have been created for specific periods of time, but all endowed chairs have a common theme -- recognition of both outstanding faculty and the donor.

Named, endowed chairs

To encourage and honor donations of chairs, it has become popular to name the chair for the donor or someone he or she designates. Both public and private institutions have found the named, endowed chairs advantageous as they offer an opportunity to stay in contact with the donor and his or her friends and family, which in many cases encourages additional future support of the chair. To name a chair for an individual is one of the highest honors that can be given a donor or a friend, and this has proven to be a tremendous marketing advantage for development offices and college presidents in all institutions. A named, endowed chair can be established for a full-time, part-time, or visiting professor, all of which give a boost to the institution's budget and enable it to attract the best faculty possible.

Endowed chairs usually are subject to the approval of the institution's board before being made public, and establishment of the chair is normally contingent upon the receipt of a written agreement that a specified amount will be donated within a specific time period.

Appointment to the chair usually is made through the recommendations of the chief academic officer or president of the board. Usually, once a faculty member occupies a particular named chair, he or she retains that chair until leaving the institution.

Importance of endowed chairs

Institutions appreciate endowed chairs for their permanent financial nature and their unique distinction. An endowed chair is used to attract the best person possible in the chair's respective field, and to assure that individual ongoing recognition and salary support. Educational institutions, both private and public, are often more affected by a turbulent economy than the corporate sector. Their not-for-profit nature frequently makes gift support essential to establish or supplement faculty positions. Obviously, the more permanent funds available for faculty support the greater the quality of the faculty and, therefore, the overall academic program. An endowed chair, with its annual earnings, enables an institution to maintain a reasonably stable budget for its teachers. However, the endowment is usually tied to the performance of the stock market and, therefore, is subject to the vagaries of the economy. For this reason, annual operating funds always must be available to supplement faculty salaries in case the endowment earnings suffer a shortfall. This is true in both public and private institutions.

Some institutions have no endowed chairs, others have a few, some have many. The endowed chair is assuming more popularity as alumni and other friends of institutions rapidly understand the significant role these chairs play in educational quality. State-supported institutions especially have seen an increase in privately endowed chairs over the past few years as state funds began to dwindle due to the economy and a reduced tax base.

Today's chairholder

In most institutions, public or private, large or small, the chairholder is a distinguished senior member of the faculty, usually possessing tenure. However, in a growing number of institutions, increasing importance has been placed on junior-level faculty, younger faculty members who have not had the chance to establish tenure but who show promising capability. To recruit these top young faculty, an increasing number of fully endowed and partially endowed chairs are being offered to "rising stars."

Foundations such as the A.W. Mellon Foundation and others have become models in the field of philanthropy in supporting chairs for junior faculty, thus encouraging bright young men and women to enter the higher education teaching ranks. As a result, the institution gains a bright, aggressive, young mind with fresh ideas, which stimulates the older faculty, while giving the younger teacher an opportunity to learn under senior colleagues. Philanthropic support of endowed chairs for outstanding young faculty most likely will increase in the years ahead.

Various endowment levels

In most private institutions, fully endowed chairs are expected to pay a substantial portion of the chairholder's salary. In some cases the operating budget supplies additional salary. In public institutions, however, where the state has established a basic rate of salary for faculty rank, an endowed chair can offer a variety of possibilities. In some cases an endowed chair may be established for a few hundred thousand dollars, with the endowment earnings being used to supplement the state's salary.

In private institutions, especially the larger, more established ones, endowed chairs often begin at the \$1-million level. In fields such as medicine and science, it is not unusual for a permanently endowed chair to have a minimum requirement at the \$2-million level. Private institutions depend upon these endowments to assist not only in funding the professor's salary but also in providing secretarial support, library needs, overhead, and other operating costs. (See chart on endowed chair levels, end of chapter.)

The public institution has the advantage of relying on state support to fund many essential costs, such as overhead, library needs, and clerical support, thereby freeing additional funds for the chairholder.

More and more states are encouraging private gifts to institutions by revising the state code to disallow substituting private funds for state-appropriated support. Donors to state-supported or state-assisted institutions want assurance that the state will not remove appropriated funds due to increased private gift support. This "donor protection," now written into many state codes, has given tremendous leverage toward raising private funds.

Alternatives to endowed chairs and other trends

When a chair is not fully funded (that is, when it does not pay a substantial portion of the chairholder's salary), some institutions will supplement funds through their annual gift program or from unrestricted endowment income. Other sources of funding may come through programs such as the Eminent Scholars Program, which was established several years ago at the University of Virginia to provide supplemental income beyond state appropriations to distinguished faculty. Under the Eminent Scholars Program, the

General Assembly appropriates funds on a biennial basis to match the income generated by funds given to the university for endowed chairs. Since its inception, the Eminent Scholars Program has significantly aided the university in its efforts to attract prominent new scholars and to retain outstanding faculty members.

The Eminent Scholars Program was established as a shared partnership between public and private support to encourage endowed chairs. It assists the university and the state to attract and retain eminent scholars. Essentially, the Eminent Scholars Program doubles the value of a private donor's gift, while recognizing the donor by permanently placing his or her name on the chair. Other states, such as Florida and Texas, are now reviewing this concept, which should produce a greater source of income for the advancement of higher education.

Many institutions, both public and private, are beginning to divert increasing sums of unrestricted annual gifts toward establishing permanently endowed chairs. This trend is especially popular at smaller institutions with fewer major gift prospects. In addition, public institutions increasingly emphasize establishing chairs through an individual donor's estate. Private schools have been seeking estate gifts for many decades, but few public institutions until now have had the development staff capability to identify and work with planned giving prospects who can be encouraged to earmark estate funds to establish a permanently endowed chair.

In the past, foundations and corporations have rarely donated permanently endowed chairs, especially at public institutions, but this trend seems to be changing as chairs for distinguished faculty become increasingly popular for all areas of philanthropic support. Until recent years, in fact, corporate or foundation gifts to state institutions were virtually nonexistent.

Corporations and foundations believed that state-supported institutions received their funds from the taxpayers and therefore should not be entitled to private funding support. With the reduction of state support to higher education becoming an increasing problem and the growth of understanding between public institutions and the corporate sector, gift support has begun to increase within the last few years. Institutions of quality, regardless of public or private origin, are now being considered more so than ever before to receive funding support from all sectors. Corporations and foundations alike are rapidly recognizing that public institutions serve a vital role in the nation's pluralistic system of education and those with the best programs will receive their fair share of the philanthropic dollar. It is important that all public institutions do a better job in making their quality better known and communicating their needs to corporations, foundations, and potential individual donors.

ENDOWED CHAIR LEVELS AT SELECTED PUBLIC INSTITUTIONS

	<u>Endowment</u>
<u>PENNSYLVANIA STATE UNIVERSITY</u>	
<u>Named Chair</u> includes salary and all other expenses to support position, including travel, secretarial, etc.	\$1,000,000
<u>Named Professorship</u> supplements line position, plus graduate student salaries, secretarial, travel, etc.	250,000
<u>Faculty Fellow</u> supplement for salary, travel, secretarial, graduate assistants, etc.	100,000
<u>RUTGERS UNIVERSITY</u>	
<u>Named Distinguished Professorship</u> (for senior faculty)	750,000
<u>Named Career Development Chairs</u> (for junior faculty)	250,000
<u>Named Visiting Professorships</u> (distinguished scholars and visiting public figures)	250,000
<u>Named Transitional Professorships</u> (mid-career faculty seeking new areas of study)	250,000
<u>Named Assistant or Associate Professorships</u>	250,000
<u>Named Visiting Lectureships</u> (outstanding individuals in special and topical fields)	100,000
(Chairs support chairholders and their teaching and research.)	

UNIVERSITY OF CALIFORNIA/BERKELEY

Berkeley Campus Chair 300,000

UC-University Wide Chair 250,000

includes all costs related to the chairholder
EXCEPT SALARY which must be for a state-
approved position. Costs include summer
research stipends, research assistants, data
collection and computer time, secretarial salaries
and expenses, travel, research equipment,
conference costs, visiting professorships and
lectureships in the field of the chairholder,
research salary support.

UNIVERSITY OF MICHIGAN

Endowed Chair 1,000,000

Other Chairs

Flexible -- depends upon area (science
or social sciences for example)

UNIVERSITY OF NORTH CAROLINA/CHAPEL HILL

Professorship of Research 500,000
supplements existing funding for salary
plus all other research-related costs

Professorships 250,000
supplemental to existing FTE professor
positions, plus related costs

Visiting Professorships 100,000

UNIVERSITY OF TEXAS/AUSTIN

Endowed Chair 500,000
supplements guaranteed state appropriation
base, income from endowment as the supplement
to base

Professorship 100,000
partial support for tenured full professor

Visiting Professor Teaching Fellowship 50,000
(younger, untenured faculty -- assistant
or associate rank)

Lectureship 20,000
(one-day presentation)

UNIVERSITY OF VIRGINIA

Eminent Scholars Program

The Commonwealth of Virginia established an "Eminent Scholars Program" which is basically a pooled income fund. Gifts of \$200,000 to the university are placed in this fund and the state matches the interest on the endowment. A \$200,000 gift, therefore, draws interest as if it were \$400,000.

Endowed Chair

200,000

"augmented" professorship for travel, research costs, secretarial, etc., but state matches only salary

Visiting Professor

200,000

Research for this table done by Charlene Dale, University of Maryland, March 1982.

Chapter 12

ATHLETIC FUND RAISING

by Ian T. Sturrock

The successful athletic fund raiser is thought to be mysterious, with skills of a wheeler-dealer and lack of a high roller. The high emotion of sports enthusiasts and the large costs of collegiate sports programs fuel this popular misconception. In reality, successful athletic fund raising holds much more in common with successful fund raising for other worthwhile university-related ventures than it does with a trip to Reno, a cloak-and-dagger operation, or the excitement of a Big Ten football weekend.

Successful athletic fund raising is often tied directly to the success of an athletic program. Compare the NCAA list of champions with a list of institutions capable of annually obtaining athletic gifts in the six-figure and above range. There are, of course, numerous similarities. The surprising fact, however, is that many schools with strong athletic programs have not yet achieved success in the athletic fund-raising arena.

Athletic fund raising can be organized in several ways: as part of the university-wide development operation, through a booster club, or through the athletic department. Various combinations of these three techniques are also possible, of course. Certain factors must be considered in each case. These factors include: the degree of autonomy that athletic fund raising will possess; the relationship to the athletic department and coaching staff; the budget for athletic fund raising; the extent to which gifts obtained will be used for budgeted items such as scholarships, "add-ons," and recruiting; the assignment of preferential seating for athletic events to large donors; and the relationship to the university's ongoing institutional fund-raising activity.

Athletic fund raising through the development office

An institution can mount an annual directed campaign for athletic gifts in much the same way as it mounts a campaign for the "friends of the library" or the mechanical engineering department. In coordinating athletic fund raising, the institution's development staff should attempt to maximize community sentiment for athletics, the media's prominent coverage of sports, and, if applicable, the state's inability to fund adequately the level of athletic programming that the alumni, community, and fans expect. Successful fund-raising programs have been developed in response to inadequate state or organizational funding, to facilitate a move from one class or quality of athletic program to a higher plateau, or to meet a need for additional grant-in-aid or scholarship support for athletes. Athletic fund raising may be

said to exist on a philosophy of "the best is yet to come." Successful athletic fund raising depends on high visibility and an upbeat approach.

The advantages of operating an athletic fund-raising program through the existing development operation are many -- better control of selecting prospects, record keeping, receipting, making acknowledgements, and developing the case for athletic support.

In institutions where the cost of athletics is particularly controversial, an additional advantage of athletic fund raising through the ongoing operation is the possibility that fund-raising costs can be charged to either the development office or to the administrative expense of operating the athletic-related foundation.

Athletic fund raising through an athletic-related foundation

A popular option at many state-assisted universities is to channel athletic fund raising through a private foundation so that private-sector dollars are separate from budget appropriations. This option provides greater autonomy by minimizing, in most cases, the chances that funds will be impounded or equipment purchases will be frozen.

The procedure and process for securing athletic gifts through an athletic foundation are similar to the approach used to obtain gifts received directly into university accounts. A separate athletic foundation decreases the risk that state and private gift dollars will become commingled and assures that gift dollars can be spent when institutionally funded appropriations have been exhausted.

Separate athletic foundations must be able to demonstrate that gifts are used for the purpose the donors intended. Proper accountability requires that records be kept to show a direct relationship between athletic gifts received and athletic expenses. A separate athletic foundation must have a board, which should receive a periodic accounting as well as an annual programmatic report from the athletic director and the university administration. A further requirement is the designation of a university staff member, such as the athletic director, to serve as liaison with the athletic foundation board.

Athletic fund raising through an in-house booster organization

One of the most successful means of obtaining athletic gifts is through a booster organization. Strong booster organizations and devoted volunteers and fans increase the likelihood for fund-raising success. Because booster organizations are created for a variety of purposes, not all organizations will be equally successful in fund raising. Booster organizations should adopt, as one of their basic responsibilities, obtaining sufficient funding

for the athletic program through approved fund-raising endeavors. Membership enlistment and fund raising are two separate and distinct issues. While the Chiefs Club at Bradley University or the Bulldog Club at the Citadel may have a basic membership charge of \$30 to \$70 per year, the sum total of these memberships may not provide adequate athletic support once the club's operational costs have been deducted. Classes of membership that provide an increasing number of benefits are used to motivate individuals and corporations to make gifts beyond the basic membership. The booster club should set annual goals in both areas, e.g., a thousand members and total gift support of \$250,000.

A booster club can take maximum advantage of a good sports information program by providing extra contact for individuals who have made financial contributions to the athletic program. Insider reports, names listed in athletic programs, invitations to local press conferences, preview days, and access to closed practices are just a few examples of "perks" that can be provided for members. Organizing the booster club in-house helps to forestall conflicts in prospect selection and competition between proposed institutional and athletic fund-raising activities.

Another significant issue is record keeping. With the IRS, NCAA, and conference requirements becoming more and more stringent on gift receipting and record keeping, it is important that booster organizations as well as university athletic programs maintain proper records on the use of dollars received from booster club sources. An individual's or an organization's gift record at XYZ University should be comprehensive enough to include a listing for all athletic gifts made during a year.

Booster organizations raise large gifts by operating the same basic program as other fund-raising efforts. Strategies utilizing the pyramid structure, including fund-raising chairmen, leaders, workers, and prospects, are effective for a booster club. The booster organization provides, in addition, many attractive opportunities for packaging the athletic fund-raising program and for making membership and participation highly desirable to a broad range of individuals.

Athletic fund raising through a separately organized booster organization

A number of booster organizations at state-assisted universities have only loosely defined ties to the athletic program, a self-perpetuating board of directors, and thus greater autonomy. Athletic fund raising in this manner can be highly successful; however, there are a number of potential pitfalls. Has the organization been properly chartered so that it can receive tax deductible gifts according to IRS regulations? Will the operation of the separate organization create potential conflicts with NCAA and conference rules and regulations concerning expenditures for entertainment, recruiting, compensation for full-time and part-time coaches, and other items? Will the

institution discover that funds have been spent for items that have not received administration approval? Will funds be used for items or activities that have been forbidden by the university or athletic department?

The basic fund-raising strategies mentioned in the preceding section apply to a separately organized booster organization.

Athletic fund raising through the athletic department

A number of institutions, such as Georgia Tech and Vanderbilt University, have active and professionally directed fund-raising programs operated through the athletic department. In the case of these two institutions, highly qualified, experienced athletic fund-raising professionals have been added to the staff. While the titles may be special assistant to the athletic director or assistant or associate athletic director, their responsibilities are the same as those of a professional fund raiser in any other area of the university. In these cases, the activity can be highly successful due in large measure to the past experience of the individual involved and to close coordination with the overall athletic programs and with other institutional fund-raising programs.

Athletic fund-raising programs through the athletic department in the absence of professional leadership will probably produce disappointing results and will encounter numerous problems and conflicts due to the other obligations of the athletic director, coaches, and other personnel. Institutions desiring to use an existing staff member for fund raising must provide this individual with adequate training. Mere designation that Coach X will spend 50 percent of his or her time in fund raising will not produce acceptable results. Athletic directors and university administrators must realize that a successful coach might not have the experience to plan and carry out a solicitation of thousands of individual and corporate prospects.

An advantage of athletic fund raising through the athletic director's office is the accountability factor previously discussed. Operating through the athletic program provides both authenticity and accuracy. Individuals who want to support the total athletic program or a particular sport sense that their gifts will be used totally for this purpose. The athletic department and athletic director can assure participation by coaches, responsiveness by the sports information office, proper emphasis through the sports-related media, and a day-to-day sense of "what's going on" in athletics.

Athletic fund raising, when handled through the athletic department, requires adequate clerical support. The department should add part-time or additional full-time clerical support. It must also provide access to the institution's computer or must acquire a microcomputer, and it must make available adequate staff to handle mailings, telephone contacts with prospects,

reports to leaders and chairmen, and adequate acknowledgements and recognition.

Fund raising handled through the athletic department must generate adequate records for accounting purposes. Gifts, ticket purchases, and sports program advertising must be kept separate. The athletic department must develop sufficient record-keeping capacity to differentiate between all sources of income. The same receipting and acknowledgement that the development office provides for gifts to the university must be provided by the athletic department.

If the athletic department is, itself, a free-standing organization tied loosely to the institution, then the concerns regarding accountability and deductibility of gifts that relate to certain booster organizations will exist. Simplistically, it may seem that gifts for "Badger athletics" are what counts. However, the trail between the gift and the appropriate and approved gift-receiving organization must be clearly defined and properly documented according to IRS, NCAA, and conference rules and regulations.

Possible pitfalls

Regardless of the organization selected, two common pitfalls include: a management style that infers, "It's everyone's responsibility and no one's responsibility," and a goal-setting process that says, "We'll raise as much as we can." One or more individuals should be responsible for all aspects of an athletic fund-raising program. Accountability should be expected and goals and objectives should be established, refined, and evaluated annually. Athletic fund raising succeeds best when a goal is in sight. It is not sufficient to raise as much as we can. Workers and prospects are more highly motivated when an obtainable but challenging goal is presented.

Current issues and challenges

Three issues face institutions that are either actively involved in or are considering athletic fund-raising activities. These issues concern: building an athletic endowment, the place of fund-raising events in a fund-raising program, and the use of consultants who propose to work for a percentage of the gifts raised.

1. Building an athletic endowment. The goal of athletic fund raising is to secure adequate financing for the athletic program. This can be accomplished on a year-in, year-out basis by raising gifts that will augment state appropriations and the revenues generated by the athletic program itself. Creating an athletic endowment will, however, provide a permanent resource that will produce a predictable amount of income every year. Many major individual and organizational donors may prefer to make a one-time,

sizable gift to create an athletic endowment and in so doing eliminate the necessity of considering annual gifts for athletics. Other donors who begin as annual contributors may sense the need to build a permanent resource for athletics, thus becoming prospects for gifts to an athletic endowment. Further opportunities exist for building an athletic endowment through memorial gifts and through planned gifts that come about when an individual makes a gift from assets rather than income. The creation of an athletic endowment at a state-assisted university may involve the creation of a separate, autonomous trust fund or it may be possible to mingle these funds in some way with other endowments of the university. Often major donors can be attracted to make sizable gifts that might endow the full cost of an athletic scholarship or the yearly operational cost of a training room.

2. Athletic fund-raising events. The athletic scene provides numerous opportunities for fund-raising events that generate income beyond expenses and augment other fund-raising activities. Institutions should remember, however, that individuals and organizations may have set budgets for gift-giving and related endeavors. Major athletic fund-raising events should be held to a maximum of four per year. A spring or summer golf outing, a fall rouser or pig roast, a post-season victory celebration or the season opening (kick-off) banquet, as well as a spring event will suffice. If individuals and businesses are solicited to purchase tickets that sell in the range of \$50 to \$250 each, the number of events must be related to the size of the active athletic fan capacity. A golf tournament, an all-day outing that sells for \$125, should expect to return \$60 to \$75 per head after the expense of greens fees, cart rental, favors, bar, and meals is deducted. Other activities in the \$25-and-under bracket may help a developing program by creating a good image and providing for motivation of fans and potential donors.
3. Consultants who work for a percentage of gifts. While the use of consultants is often advisable to institutions embarking on their first athletic campaign, great care should be exercised in selection. Typically, consultants will be paid a fee for the service rendered. There are a number of quasi-fund-raising organizations that offer "to do everything" for a percentage of gifts raised. Beware! Institutions that employ fund raisers who work for a commission are asking for trouble because these fund raisers will often disturb the sensitive ties that exist between the institution and its valued friends and donors. The accounting for gifts and the actual cost of raising funds is often far more than expected. Further, outside fund raisers who work for a percentage will not create a broad base of support for athletics that the institution can then count on for years into the future. A far more

advisable strategy would be to retain the services of an expert in fund raising from another university or, if ties exist with a member firm of the American Association of Fund-Raising Counsel, to seek advice from one of its representatives. The important factor in using consultants is to build strength within the staff of the institution. If athletic fund raising is handled by outsiders, it will be difficult if not impossible to create a broad base of support and the organizational expertise necessary to sustain athletic fund raising.

Chapter 13

FUND RAISING FOR TWO-YEAR COLLEGES

by Stephen R. Wise and Marlene W. Camper

To understand fund raising at two-year colleges, it is helpful to think about the special nature of these institutions. Two-year colleges in the United States have experienced phenomenal development and growth over the past two decades. They now represent more than one-third of the nation's postsecondary institutions and enroll slightly over half of all first-year college students.

Diversity characterizes the two-year college. The two-year college enrolls a great mixture of students -- in terms of age, race, economic and social background, and the level of ability and interest. Its programming is generally wide ranging and certainly different from that of more conventional postsecondary educational institutions.

Two-year colleges have developed in an era of national change. Now as the United States moves from the industrial to the information age, two-year colleges can rise triumphant, for they are limited only by the imagination of their staffs, their motivation to innovate, and the financial and program support available from their top administrations and governing boards.

Two-year colleges usually focus on technical training that can be acquired in two years or less, but they also provide college parallel courses for the first two years of a baccalaureate degree program. The majority of two-year colleges are public: state- and county-financed. The service area is usually restricted to a specific geographical area: either city, county, public school district, or tax district. The governing body generally comes from the local community, and the mission and goals focus on community needs and interests. How does the two-year college capitalize on this uniqueness and what particular problems face these U.S.-bred institutions?

Fund-raising challenges

Up to now most two-year colleges have not tried to seek private funding. But like other institutions, the two-year college has been hit hard by inflation. The two-year college is awakening to the realization that it must increase its funding base. How does the two-year college seek new sources of revenue?

The very factors that make the two-year college unique create problems for fund raising. For example, because service areas for two-year colleges are usually restricted to a specific geographical area, this limits the number of sources from which two-year colleges can raise money. Another factor limiting fund

raising is the population that two-year colleges serve. Two-year colleges serve a large number of minorities and low-income populations who traditionally have not had access to great wealth. These individuals are usually first-generation college-degree seekers.

The two-year college's board structure also typically does not include individuals outside the service district of the college. Many of the individuals in local communities are self-made business leaders who may not have gone to college. These individuals generally take pride in participating in the economic development of their community by helping their local two-year college. Their outlook may be more provincial than would be the attitude of corporate executives with a broad national or international perspective.

The challenge for two-year colleges, then, is to convince donors that their uniqueness and nature can help solve the problems associated with the sweeping changes going on in our nation.

Organizing for fund raising

The authors have often heard it said that two-year colleges are different and that traditional ways to raise funds at a four-year college or university will not work in a two-year college setting. While this is not entirely accurate, two-year colleges should be selective in the fund-raising methodology they borrow from the university setting.

Nonprofit community-based organizations have a set of problems not at all unlike those of two-year colleges. The nonprofit community-based organization must demonstrate the need for assistance and make its needs known to the community through a variety of approaches; so must the two-year college. The identification of need and the marketing of that identified need to prospective donors are paramount to the success of fund raising. Because of their funding base, two-year colleges have difficulty in identifying needs -- in selecting areas that augment state/county funding and that can be clearly justified for private support.

Historically, publicly supported two-year colleges have relied upon tax dollars, predominantly state and county with some federal dollars sprinkled in, to operate their entire programs. The two-year college president has spent his or her time with the state legislators or county commissioners marketing the college needs from a tax-base standpoint. This no longer works as well as it once did. The financial tax base of county and state governments has been eroded by inflation, and the ability to generate state and local tax dollars has been limited through various politically motivated efforts, such as "Proposition 13" in California.

The two-year college president must begin to spread time between the tax-base activities and private fund-raising activities. Two-year colleges must get on with friend raising and fund raising in their designated service districts in order to compensate for the erosion of the tax dollar and to obtain the funds to continue providing quality educational services to their communities.

The public two-year college fund-raising effort must overcome the concept that publicly supported institutions do not need private dollars because taxpayers are already providing the financial support for their programs. This myth has been used by individuals, corporations, and private foundations in the past as a justification for not providing financial assistance.

In reality, public two-year colleges are no different from public four-year colleges and universities in their need for funds to provide more than the minimum effort towards quality education. State legislators often provide categorical support, thus restricting expenditures. The case statement must explain and market the concept that public support is restricted and represents a minimum level of financial support.

The case statement needs to be developed from a feasibility study in which the two-year college has involved the community. It may be necessary for a two-year college to commission a private consulting firm to conduct a feasibility study to determine perceptions of the community it serves and the potential giving level. The top administration and governing board must carefully select needs and objectives for which funds can be raised from the private sector and must clearly articulate these needs to constituent groups.

As stated earlier, two-year colleges and nonprofit organizations share fund-raising problems that are similar -- thus the methodology set forth in Niel Pendleton's 1981 book, Fund Raising: A Guide for Nonprofit Organizations, works equally well for two-year colleges. In addition to the assistance in establishing college foundations and planning fund-raising campaigns found in Pendleton's and other books of this nature, two-year colleges often find it advantageous to employ professional fund-raising counsel. As an external expert, the consultant has the ability to raise questions and make observations that will be received differently by the top administration and governing board than they would be if raised by an internal source. This factor is really more valuable than the specific fund-raising knowledge provided by the counsel.

Establishing the development office

The latest statistics on fund raising in higher education show that only 1.4 percent of the total dollars raised went to two-year colleges. A major reason for this record is the minimal effort put forth by two-year colleges in seeking private support.

Few two-year colleges have the fund-raising staffs, measured by either size or experience, of four-year institutions. For example, it is not unusual for a two-year college to assign fund raising to a staff person who already has as many as three other primary responsibilities. Two-year colleges could raise significant private dollars if full-time staff were devoted to such areas as annual giving, corporate giving, and planned giving.

In many cases two-year colleges have lived on such tight budgets that the axiom "It takes money to make money" is very difficult for them to understand. Leadership must dare to venture if their institutions are to be successful in seeking new revenues.

For the college that cannot at present fund a full-time professional fund-raising position, a part-time position filled by a retired executive or donor who has helped organize and direct the United Way campaign is one way to get started. This type of individual is also valuable on the board of directors of the college's foundation.

Two-year colleges should begin their fund-raising efforts through a series of friend- and fund-raising activities designed to market the purpose and mission of the college to its potential donors. These activities are usually spread over a period of two to four years, during which time the college conducts needs surveys and feasibility studies. The college must make a conscious decision to finance these initial phases of fund raising, as well as the internal operation needed to start a development office.

To launch a development office, the college must fund salaries, current expenses, capital outlay items, and contract services. Contract services would cover such items as hiring a consultant to conduct feasibility studies and developing and printing a case document and brochures. Capital outlay would include office equipment such as typewriters, word processing units, and computerized record-keeping systems.

These are essential tools of the trade. Attention to the sophistication of operation not only places the institution in a better position to attract and report private giving, it also frees the professional staff to concentrate on working with volunteers and prospects.

Selecting and training the two-year college foundation board

The importance of a foundation to fund raising at a public institution is covered elsewhere. Here the emphasis will be on the importance of selecting and training the two-year college foundation board member. The sphere of influence these members have will determine the scope of fund-raising activities that can be successfully undertaken.

Board members must be opinion-makers respected in the community, must have vision, must feel they are a part of the decision-making process, and must be asked to contribute their talents in an area in which they feel confident. According to Tracy Connors, the board is not expected to do all the thinking for the two-year college foundation; however, the board must assume responsibility for the final decisions and results.

A 1974 article in AGB Notes suggests that the two-year college foundation boards must possess the following characteristics:

Diversity. The board as a whole contains differences in talents, skills, experience, interest, and social background.

Structure. The board is organized in such a way that individuals and committees assume a proper, active role in its function.

Member involvement. Members demonstrate a high degree of interest in their roles and responsibilities and are genuinely concerned about the public two-year college's problems.

Knowledge. Members are well informed about the goals and mission of the public two-year college and the college foundation.

Rapport. Members of the board have mutual respect for each other regardless of differences of opinion, and maintain a productive working relationship with each other.

Sensitivity. The board is representative of, and sensitive to, different constituencies and viewpoints.

Sense of priorities. Board members are concerned with important and long-range issues, not trivial matters.

Direction. The president of the foundation is respected, and is strong and skilled in making certain various points of view are expressed in reaching satisfactory decisions.

Strength. The board is sufficiently strong to achieve effective policy decisions.

Financial support. The board contains a reasonable number of members (15-21) who contribute and personally solicit contributions for the two-year college foundation.

Accomplishment. The board has a genuine sense of progress and achievement, and members gain satisfaction from serving on the two-year college foundation board.

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In addition to board members functioning well together, the two-year college foundation professional staff member and the foundation board members must develop a productive working atmosphere. Beyond that there must be an understanding between the college board and the foundation board as to the role of each in the development and operation of the college. It is essential that these relationships be developed and fully understood by the college administration and both boards.

Identifying prospective donors

"We are a small rural two-year college with a limited staff. No one in our district is a millionaire." This is a complaint, or excuse, often heard in two-year college circles. Remember the biblical verse, "Ask and you shall receive"?

But whom to ask, you say? How does one begin to compile a list of prospects if alumni are not wealthy or if there are no records of alumni addresses on file? A college's initial list may include the following:

Advisory committee members. Each two-year college usually has local program advisory committees made up of individuals who give their time and talent to particular college programs. Large urban two-year colleges have as many as 400 to 500 people serving on these advisory committees.

Vendors. The business office has a list of names and addresses of companies that provide services to the college. The main advantage of a vendor list is that the vendor is familiar with the college and is already getting something valuable because it's there.

Large landowners. Who are the 10 largest landowners in the college's service area? They may be prospects for planned gifts.

Faculty/staff. Who knows more or would have more reason to believe in the activities of the college than its faculty and staff? Besides, how does one ask someone else to contribute to something not supported by those most closely involved? Establish payroll deductions or some other form of systematic annual contribution plan that makes it easy to contribute.

Local corporations. Which corporations benefit the most from your training programs? These organizations should be put on the prospect list and contacted face-to-face as soon as possible.

Board members. Remember the three Gs of board membership: give, get, or get off. Board members should be encouraged to provide the lead gifts for any campaign for the same reasons that apply to your faculty and staff. In addition, ask each board member to identify five people who could give \$500 and two people who could give \$1,000. Establish a time-frame for board members to make their personal visits and ask for the gift.

Civic clubs, social organizations. Begin identifying local civic clubs and social organizations that have potential for providing financial support to the college. Many faculty and staff are members and officers of these organizations and, if requested, may assist in channeling funds for scholarships or program support. Once again, it is important to have a vehicle by which to accept the gift and a marketing program to promote the concept.

Friend- and fund-raising activities

By now you are versed in theory, have your systems ready, have done your prospecting, and are looking for ways to make all of this work for you. So, how do you get your feet wet? Here are some of the things other two-year colleges are doing:

Property acquisition. Because of legislative restrictions, some public two-year college foundations have purchased property and have leased the facilities back to the college. The profits generated are then used to support various college programs. Additionally, some college foundations own dorms and manage housing space for students. Rogers State College Foundation in Claremore, Oklahoma, owns a guest house on campus.

Equipment purchases. There are some federally financed programs that do not allow the purchase of equipment, or if the equipment is purchased, ownership resides with the federal agency. Some college foundations have purchased the equipment and leased it to the college at a commercial rental rate. When the program is terminated, the foundation can either donate the equipment to the college or sell it on the open market. The profit would then be placed in the foundation's general account.

Student contribution projects. Students in construction trades programs have built houses from donated materials. Foundations then auctioned the houses to the highest bidder. There are many projects that can be sold or auctioned for the benefit of student scholarships.

Special dinner events. Two-year colleges have access to many performing groups or celebrities who will donate their talents for the benefit of the college. Special fund-raising dinners have been held during the Christmas Season, Valentine's Day, the Fourth of July, and Labor Day. Depending on the event and the community, two-year colleges have charged as much as \$100 per couple to attend a Madrigal Dinner, Valentine's Sweetheart Dinner, Tom Jones Feast, Halloween Costume Party, or some other theme dinner. These featured events can be scheduled annually or biannually.

Participant events. Spelling and math tournaments, foreign language events, bingo games, auctions, dominoes tournaments, tennis and golf events, rodeos, and other activities that attract or award participants have had tremendous success at two-year colleges throughout the country.

Materials as gifts. The two-year college with program advisory committee members has a way of identifying sources of equipment and materials needed to augment and supplement the instructional programs. The college will need to establish a system to recognize the donors and to value the contributions in order to entice other individuals and corporations to consider similar contributions.

Alumni of the year. The two-year college alumni program can be promoted through establishing an "Alumni of the Year Award" and marketing this award during the graduation activities. This will assist the foundation in gaining visibility before the graduates, parents, and friends of the college.

Legislative activities: Assuming leadership

Foundation and college board members, as well as professional staff members, must stay on the cutting edge of legislation affecting higher education and must take an active part in generating legislation and in lobbying for its passage. An example of generating legislation may be found in a Florida law, enacted in 1983, which represents a landmark for two-year colleges.

The bill was developed by the Florida Resource Development Council to encourage the legislature to appropriate tax dollars to match private dollars raised by Florida's public two-year colleges. The principal points of this landmark act are:

- * \$1 million was appropriated for a Florida Academic Trust Fund for Community Colleges.
- * For each \$6 raised from private sources, the Trust will match with \$4, a 60/40 split. For example, if a college wanted to receive \$25,000 from the Trust, the college would need to raise \$37,500 in private money for a combined total of \$62,500. (First, however, a college must determine its average annual cash donations for the previous three years, and must raise that amount before becoming eligible to use the Trust matching program.)
- * Each college is given the opportunity to match at least \$25,000.
- * Funds in the Trust that are unmatched by March 1 of each year become available for matching by any other college.

- * No single college may "draw down" more than \$100,000 during a fiscal year. No single college may "draw down" more than \$100,000 of any excess funds after March 1, 1984.
- * To be eligible a college must raise a minimum of \$10,000 above the total annual average raised during the three fiscal years prior to July 1, 1983.
- * After the initial \$10,000 is matched, further matching may be done in increments of \$5,000 (up to the \$100,000 ceiling).
- * Each college must establish its own Academic Improvement Trust Fund as a depository.
- * The foundation at each college is responsible for maintaining, investing, and administering the Trust Fund.
- * The board of trustees at each college determines the uses for the proceeds of the Trust Fund.
- * Rules for administering the Trust Fund at the state level are to be developed by the State Board of Education.
- * Proposals for use of the Trust Fund must be submitted to the State Community College Coordinating Board for approval.

The Florida Resource Development Council was told it couldn't be done, that the legislature would never go for it -- but the bill passed. The legislature had realized it could not provide the support its public two-year colleges needed. By passing this bill, the legislators encouraged and supported the colleges' efforts to broaden their financial base through private fund raising.

Much can be accomplished through the legislature, but public two-year college leadership must develop the vision to generate the bills and the perseverance to market, sell, lobby, and make it happen.

National leadership for two-year colleges

There is also much to be accomplished at the national level for two-year colleges. Since they are a new phenomenon in post-secondary education, most of the nation's policy and opinion makers are unfamiliar with the mission and goals of two-year colleges. These individuals graduated from four-year colleges and universities and tend to think of education in these terms and to make their money available to these institutions. For this reason two-year colleges have had little access to corporate and foundation grants.

At the national level, two-year college leaders must build a case for giving that can effectively change corporate and private foundation policies toward two-year colleges. This is a national problem that cannot be addressed at the local level by a single two-year college. Funding percentages will not substantially increase in comparison to four-year colleges and research universities until these policies change.

Two-year college training programs have increased the quality of employee skills available to major corporations, which in turn increases their profits and ability to compete in the marketplace, yet many private and corporate foundations do not provide grants to two-year colleges and the matching gift programs of some corporations apply only to four-year colleges and universities.

National corporations and foundations must be made to understand that because of the nature of the two-year college training programs, the two-year college is a resource they must preserve and strengthen. They must understand the two-year college can be a major force in putting America back to work.

Individual two-year colleges can help on the national level by furnishing examples of innovative programs, through visits to their local corporate branch offices, and by involving these lower-level corporate managers in their two-year advisory councils for program development. The local two-year college must provide their national leaders with more information on breakthroughs in private giving so that when corporations and foundations look for evidence that two-year colleges are making progress in securing other corporate and foundation donations, the facts and figures are available.

Two-year colleges need to adopt the gift reporting and accounting standards developed by CASE and the National Association of College and University Business Officers as a national standard. Fewer than 100 two-year colleges have completed the Council for Financial Aid to Education (CFAE) report, which is the standardized reporting format for fund raising in higher education. If national-level associations and national leaders are to be effective, the local two-year college must assume the responsibility for providing the needed information.

Whether two-year colleges flourish or die in the next decade will be determined by their ability to broaden their financial base, their vision in meeting national training priorities, and the extent to which they can educate policy makers about their mission and capabilities. It is time to tell the best-kept secret in education: the story of the two-year colleges -- what they can do for our country and why they need support.

Chapter 14

STATE LAWS AND POLICIES AFFECTING PRIVATE SUPPORT FOR PUBLIC HIGHER EDUCATION

by Constance Kravas

It is common knowledge to every schoolboy and even every
Bachelor of Arts,
That all sin is divided into two parts.
One kind of sin is called a sin of commission, and that is
very important,
And it is what you are doing when you are doing something
you oughtant,
And the other kind of sin is just the opposite and is called
a sin of omission and is equally bad in the eyes of all
right-thinking people, from Billy Sunday to Buddha,
And it consists of not having done something you shudda.....

While Odgen Nash's taxonomy of sins -- those of omission and those of commission -- has brought amusement to readers of verse, the poet's analysis also appropriately sets the stage for our discussion of state laws and policies that affect private gifts to public higher education. As this chapter will point out, evidence of both kinds of "sin" can be readily discovered when one looks at the legal framework within which our development programs must operate.

On the "commission" side of the spectrum, we find that state lawmakers have enacted numerous policies relevant to the solicitation and administration of charitable contributions to higher education. In contrast to the less specific "case law" approach used to delineate other higher education concerns, such as academic freedom, tenure, and affirmative action, statutory law applies to the arena of private financial support. As R.H. Dahl points out in a 1979 report from the University of Kentucky, these legal statements are not only numerous, they are elaborate, sometimes contradictory, "and, like most other elements of the law, not easily converted to general principles." In the first place, the overall context for this legal activity is intensely state-specific, structured for the most part by relevant statutes. Complicating matters further, it is hypothetically possible for each and every donation to present unique circumstances and issues.

To add insult to injury, the law itself, or rather the language of the law, sometimes serves to obfuscate rather than illuminate pertinent issues. To cite one example from federal law (many similar examples could be taken from state statute), Section 267 of the IRS Code contains 152 nouns or noun phrases preceding the first verb of the entire passage, with a total of 500 words all making up one sentence! The section basically informs taxpayers

that they can't claim the same payments of interest as deductions in more than one tax year. Facetiously, a conscientious but perturbed law student recently sent the IRS a single typewritten page containing nothing by periods. The cover note read simply, "Next time you are too poor to use a period, please help yourself to one of mine!"

Returning to our opening taxonomy, it is equally apparent that the reverse sin -- that of omission -- has also been committed throughout the land. While the bulk of this chapter will focus on what does exist in the way of laws and policies, it will also highlight new or unique legislation that could be usefully applied in other states to encourage private philanthropy.

Laws affecting private support for public higher education fall into four major categories:

1. Laws and policies that regulate charities and solicitors.
This category includes laws concerning registration and licensing, reporting, limitations on fund-raising expense, and disclosure at the point of solicitation.
2. Laws and policies that restrict or limit charitable giving.
This category includes laws concerning donor restrictions placed on gifts, estate law, community property law in some states, restrictions on corporate giving, and laws concerning the enforcement of charitable pledges.
3. Laws and policies that encourage or discourage donations to public higher education.
4. Laws and policies regarding public universities and their independent foundations.

The first two categories of laws and policies mentioned above apply to both private and public institutions and thus fall beyond the scope of this chapter. However, these matters are important to fund raisers in the public sector and the bibliography at the end of this volume lists several works that will provide further information to those who are interested. The balance of this chapter will be devoted to a discussion of laws and policies falling under the latter two categories.

LAWS AND POLICIES THAT ENCOURAGE OR DISCOURAGE DONATIONS TO PUBLIC HIGHER EDUCATION

Personal income tax savings

There are essentially two ways in which tax laws in states imposing income taxes may encourage individual charitable donations. The first is by an income tax credit, and the second is by allowing a deduction from income for a donation to education, charity, or a religious organization. From the taxpayer's point of view,

the credit is usually preferable as it permits a greater tax benefit; however, for large gifts, the deduction often allows greater tax benefit, especially if the taxpayer is in a high tax bracket. Further tax benefit is enjoyed under either the tax credit or deduction system if the state allows the unused portion of the gift to be carried over and used to deduct the tax burden in subsequent years.

1. The tax credit. Five states currently allow a tax credit for charitable donations to education. No two states' credit laws are alike. The benefit the taxpayer derives varies from a low benefit, as in Idaho, to a high benefit, as in Indiana. The Idaho law allows the taxpayer to credit against any tax owed 50 percent of aggregate charitable contributions made during the year to nonprofit associations operating exclusively for the benefit of Idaho educational institutions (including higher education). No carryover provision is made, and the maximum credit one can receive is \$50. By contrast, Indiana allows a credit of 50 percent of the taxpayer's gross tax liability with a maximum of \$25,000. It restricts this credit specifically to approved neighborhood assistance, job training, or educational programs. While tax credit programs appear, on the surface at least, to provide a positive stimulus for giving to public as well as private higher education, the public sector will only benefit if new state revenues are provided to pay for the "credits." It could be debilitating, indeed, were the budget appropriations of the state institutions offset to create the needed revenue -- a notion discussed by some conservatives.

2. The state deduction for contributions. At least seven states imposing income taxes have specific statutes authorizing charitable contributions to be deducted from gross income before computing one's state tax liability. A typical example is Arizona, which allows charitable contributions to be deducted from income up to 20 percent of the taxpayer's gross income. No mention is made of any carryover for unused deductions. California would allow carryover in some situations.

As many as 12 states follow the federal tax deductions for contributions to charities. Tax laws in these states automatically change as federal law changes. The federal tax deduction is a complicated statute, which encourages gift-giving while carefully avoiding the tax shelter phenomena of prior years. It distinguishes between donations to public and private organizations. Generally speaking, a taxpayer qualifies for a greater tax deduction (50 percent versus 20 percent) if donating to a public charity as contrasted to a private charity. Additional rules and limitations apply on deductions for

gifts of appreciated property, rent-free use of property, bargain sales to charity, and gifts of use of property. Traditionally, in order to take advantage of this deduction, the taxpayer has had to submit an itemized federal return. States following the federal deduction generally have required itemization as well. Because of this itemization requirement, however, it was felt that only wealthy taxpayers could take advantage of the charitable deduction provision. As a result, Congress passed the rule for nonitemization of deductions in 1982. This allows a person who files a short form to take a 25 percent gift deduction, up to \$100, for the years 1982 and 1983. In 1984 the maximum goes up to \$300. In 1985 the percentage of the gift allowed as a deduction goes up to 50 percent. In 1986 the percentage again rises, now to 100 percent, but the provision itself terminates (sunsets). Thus, the state deduction in those 12 states would likewise terminate unless new legislation is enacted.

Gift, inheritance, and estate tax savings

As of 1979, 43 states and the District of Columbia specifically exempt from gift or estate taxes that portion donated to charitable organizations. All 44 jurisdictions include organizations whose exclusive purpose is education. As of 1979, neither Alabama nor Alaska have any such exemption for charities, although both states impose estate taxes.

While these changes in tax law have been greeted warmly by fund raiser and taxpayer alike, the long-term impact of the gift incentives may not be as extensive as we would hope. The memories of taxpayers, alas, tend to be short-lived! Other motivations, such as donor loyalty, will continue to provide a strong, and possibly much stronger, impetus for philanthropic investment.

Tuition tax credits

New York, which used to allow a tuition deduction of \$1,000 for students attending New York colleges and universities, has increased the deduction level to \$1,500. On the negative side, it is possible that a measure such as this could actually discourage charitable giving to higher education, in that donors could assume that the colleges' and universities' financial needs are being met through increased tuition rates. In other words, the unfortunate perception could be generated that, because parents and students (tuition payers) would be receiving tax credits, the universities and colleges should be able to raise requisite funds for operation merely by hiking tuition rates.

Corporate tax savings

As in the case of personal income tax, most states imposing an income tax on corporations allow a deduction for charitable, educational, or religious contributions. Frequently, the corporation receives the same deduction as that provided by the IRS.

A novel state tax credit bill, patterned after the "Apple Bill," has recently been proposed in Hawaii for resident corporations that donate computers to any public elementary school (not to exceed 5 percent of the fair market value of the computer). California has already enacted similar legislation, again encouraging gifts of property (computers, scientific equipment, or apparatus) to educational organizations that are not colleges or universities. The exclusion of higher education in both cases seems unfortunate; perhaps the legislation will be extended in the months or years ahead.

Indiana has tax credit allowances for donations of equipment to schools that apparently include universities. It parallels the direction that several other states are pursuing by following the federal guidelines that allow tax credit for gifts of scientific equipment to be used for research in the biological and physical sciences.

One final corporate gift incentive should be noted even though it does not apply specifically to public institutions. North Dakota has a special additional income tax on banks and savings and loans, but it has provided these same institutions with a tax credit for contributions to nonprofit private institutions of higher education or secondary education within the state.

Property tax

All states have legislation, either by statute or constitution, exempting charitable property from taxation. A recently enacted law in Washington, for example, exempts sales of donated real estate from the 1 percent excise tax, and further, as long as the property is held by a nonprofit organization related to the state of Washington, the organization does not pay property tax.

Sales tax

Only a few states exempt charities from sales tax.

At the state level, tax policies are mixed. Clearly, the vast majority of states encourage donations to charities by exempting the donation from state estate, gift, and inheritance taxes. However, those states not exempting donations from state income tax are in essence frustrating the federal policy of encouraging donations. Ironically, most states that have neither a credit nor a deduction from income tax for donations to charities still exempt gift and estate taxes for those same donations.

Problems

Some basic problems exist with respect to encouraging donations through tax policy. First, both state and federal tax codes have evolved to the point of unintelligibility. The IRS code is often referred to (lovingly) as the Lawyer's and Accountant's Full Employment Act! The vast complexity of the code discourages taking advantage of some benefits therein, simply because one has to employ a tax lawyer to claim the deduction. Second, once a state or federal government allows a deduction, abuses are possible and the governmental entity finds itself constantly policing the provisions, and often cutting it back. One simpler approach would be to define such donations as a mere conduit through which money passes from the employer to the charity. Apparently, both state and federal governments feel this might "over encourage" gift giving and result in too little revenue left for government.

One final comment regarding tax law. In March of 1983, the CASE Board of Trustees went on record to oppose sunset provisions that would target any charitable deduction programs for automatic termination or term review. The board members reasoned that such legislation could foster great uncertainty about the future deductibility of gifts and have a chilling effect on potential contributors.

Legislated named gift opportunities

Many institutions of public higher education have been authorized to develop internal policies regarding gift level requirements for named chairs, professorships, scholarships, programs, and facilities. However, Utah has taken this concept one step further (and unfortunately possibly five steps back in the process). It has legislated named gift levels, not as percentages of actual costs but as fixed figures. Thus, "Any person who may give or bequeath to the University of Utah or Utah State University of Agriculture and Applied Science, Weber State College, or the College of Southern Utah, a sum not less than \$60,000 (increased from \$40,000 by amendment in 1965) for the purpose of founding a professorship in any department thereof shall have the privilege of giving name to such professorship." Similarly, a fellowship or lectureship is valued at \$10,000, and a scholarship at \$1,000.

While these policies were undoubtedly established by supportive and well-intentioned lawmakers, their "cast-in-concrete" nature allows very little opportunity to adjust minimum gift levels to meet the true cost.

Research parks

Since the author has just criticized one piece of Utah legislation, it seems appropriate to add quickly that this same state has developed what many knowledgeable observers describe as one

of the country's leading university-related research parks. Developed by the University of Utah (through state enabling legislation), the park has been established upon land acquired by the university. While this action may not constitute a direct stimulus for private gifts, it most certainly encourages new and enhanced partnerships with business and industry which should ultimately result in augmented corporate gift support.

In contrast to Utah's enlightened approach, Gordan K. Davies, director of the Virginia Council of Higher Education, recently warned that some state governments, including Virginia's, have discouraged new financial ventures by not allowing their public institutions to encourage private construction on their land despite the additional tax revenues that the new buildings could generate. He suggested as the cause of caution an unwarranted fear that the states would not be able to control the quality of construction.

In a slightly different vein, Michigan is currently addressing the problems posed by a law that restricts state employees from holding more than a very small amount of stock in any particular firm. As the Michigan institutions attempt to build closer ties between business and faculty, professors who do much of the basic research that will lead to profitable applications will unquestionably want a fair share of the resulting monetary rewards. This is often most feasible by giving the professor a share in the company's ownership through stock.

State matching programs

Some of the most intriguing stimulants for major endowed contributions are the matching gift programs provided in such states as Florida, Virginia, and Texas.

The Eminent Scholars program of Virginia, discussed by Marion Peavey in Chapter 11, provides matching funds for the income generated by a gift for an endowed chair. The enabling legislation authorizes a continuous annual appropriation. Since its initiation, 20 "supplemental" chairs (i.e., supplemental to a state-supported position) have been created through the program.

Florida provides similar motivation to donors by matching gifts of \$500,000 or higher with endowed funds. The General Assembly of Ohio, following the lead of Virginia and Florida, is considering matching funds for the Ohio Eminent Scholars Program, "to foster national eminence of selected outstanding academic programs" in the state. The public institutions of Ohio will be able to qualify for matching state support, either by designating currently available endowment funds or by raising new gifts. Further, the positive effects of the program are to be shared with other colleges -- public and private, two-year and four-year. According to the Ohio Board of Regents, the Ohio bill contains at least one unique requirement: that program proposals "bring educational resources to bear on compelling state-wide

problems in order to be considered eligible for state matching funds."

Yet another variation on the matching theme was developed by Texas legislators as part of the centennial celebration of the University of Texas. For "The Centennial Teachers and Scholars Program," the lawmakers authorized the use of up to \$10 million from the Permanent University Fund to match donations (or two-year pledges) for endowed chairs, professorships, lectureships, and teaching fellowships committed between September 1, 1981 and August 31, 1983.

LAWS AND POLICIES REGARDING PUBLIC UNIVERSITIES AND AFFILIATED FOUNDATIONS

No discussion of the legal principles encompassed in the fund-raising operations of public colleges or universities would be complete without mentioning the independent foundations that have been incorporated to serve them. Because Chapter 3 addresses the topic in detail, only a few key points will be elaborated upon here.

The decision of whether or not to create an affiliated foundation is easy in some states, such as Kansas, where a gift made to the university (as opposed to the Kansas Endowment Fund) would in essence be a gift to the state treasury and expended under state control. In other cases, the reasons for establishing a foundation are less direct. In Washington State, for example, expressed authorization has been granted to the board of regents of each four-year public college and university to receive gifts. (No such statute has been enacted yet for community colleges in the state.) According to the Washington Office of the State Attorney General, this carte blanche authority also permits four-year institutions to use public funds to procure gifts. Similar legislation in Ohio allows each institution's board of trustees to accept and hold in trust gifts to the respective university. Because they are state agencies, however, the institutions must adhere to all laws applicable to state agencies, and thus cannot enter into any joint ownership arrangements, including gift annuities, that would lend the state's credit. Thus, institutions like Ohio State University, where an independent foundation has not been incorporated (OSU is presently considering this possibility), are able to market such vehicles as the charitable remainder gift annuity because they do not entail making a pledge against the state's assets, but are not able to encourage some of the more sophisticated kinds of planned giving arrangements. Alabama, North Carolina, and Virginia are among the other states whose laws prohibit state agencies from encouraging long-term debt.

The argument cited most frequently in support of a foundation structure relates to the issue of control. This position was

expressed vividly in the statement of "The Relationships of Indiana University and Indiana University Foundation" as follows:

State universities all across the land have found, as Indiana did, that significant private support simply does not come to public agencies and institutions. Most people quite evidently do not want the use of their non-tax money to be dictated by any public body or bureaucracy or political office holder. They know, or think they know, that at any time the legislature or possibly the Governor or State Budget Director could expropriate university funds or alter their intended purpose. To hold the foundation's funds to be public funds could soon mean no further private funds [emphasis added].

It is very difficult to point to specific examples where private contributions to a public university or college have resulted in a line-item reduction of state support. Even if this action were to occur, it would be nearly impossible to document, in that the cutting would take place during committee hearings as part of the legislative budgeting process rather than through legal enactment. Real or imaginary, the perception of state control of donations and/or concomitant reduction in an institution's state appropriation can have a major dampening effect on future private gifts.

Related to the issue of control is the perception of many donors that a gift made directly to the state university would be the same as imposing an additional tax upon themselves. To allay the fear of donors, North Carolina and Virginia statutes specifically provide that the proceeds from any endowment shall not take the place of state appropriations, but shall rather supplement such appropriations. Further, several state higher education boards, including Georgia and Maryland, not only have adopted statements to encourage the institutions within their systems to seek private support, they have taken additional steps to promise potential contributors that their gifts will not be considered by the board in determining the allocation of state funds to the institutions.

How close, how separate?

In a 1982 article in AGB Reports, Michael Worth identified three types of relationships between universities and their foundations. They range from highly integrated (12 percent of the foundations studied) to highly independent (32 percent). The majority of foundations (56 percent) fall in between in that they have "legal independence as well as a degree of institutional control that is less than total." Numerous legal principles are involved in defining these relationships and many specific foundation models could be identified. New York and Pennsylvania are representative of states that require a strict separation, not only of funds but of staff. In Idaho, conversely, the regents, through indenture, have transferred in trust all university gift

assets and related records of the university's Consolidated Investment Trust and Pooled Investment Fund, other endowment university funds, and real estate contracts to the Trustees of the University of Idaho Foundation, Inc.

One of the major reasons for establishing a foundation chartered by the university relates to tax policy. The IRS classifies charities into two types: Type A and Type B. It is crucial for our affiliated foundations to be classified as Type A (public charities) because a donation to a Type A charity allows the taxpayer to deduct 50 percent of his or her contribution base (if not long-term gain property) while a donation to a Type B charity will result in only a 20 percent contribution base deduction. As perceived by the IRS, private foundations potentially could have too much control exerted over them by their original founders. The more limited deduction is intended to reduce the likelihood of private foundations being used as hiding places for the assets of very wealthy individuals and to ward against the distribution of funds at the whim of the original founder.

Setting up an independent, yet affiliated, foundation is a complex process. Recently, Donald Lemish wrote a monograph for the American Association of State Colleges and Universities to help public universities and colleges that are attempting to establish a fund-raising foundation. In it, he outlines many of the critical legal steps and internal policy decisions that must be carefully addressed at the outset. He notes that:

Publication 557 of the Internal Revenue Service (IRS) is a 42-page document that details the procedures for an organization to apply for tax-exempt status and the various qualifications necessary for such status. This publication and an attorney would prove to be two of the most beneficial items to any organization considering applying for qualification as a 501(c)(3) tax-exempt organization.

This author would add at least one other item to the foundation organizers' "must reading" list -- Don Lemish's article. It provides excellent guidance in an area that begs for clarity.

An agenda for the states

Several years ago the New Yorker printed a cartoon in which an executive is sitting at his desk giving instructions through the intercom: "Miss Woodlow, bring me a coffee, black, no sugar, a poppy seed roll, and an idea whose time has come!" While the topic of this chapter does not lend itself easily to generalization, at least one major point can surely be asserted: The time has indeed come for lawmakers in each of our 50 states to actively and specifically commit themselves to the encouragement of private philanthropy to all charities in general and to private and public education in particular.

Within the broad context of institutional resource development, those of us involved in fund-raising programs, whether as volunteers, donors, or employees, have had too little in the way of encouragement from our lawmakers. It is almost as if state dollars and private dollars have been pitted against each other, a condition that is anything but conducive to philanthropic investment. It doesn't have to be this way.

Clark Kerr predicted in a report by the Carnegie Council on Policy Studies in Higher Education that the next 20 years will mark a unique period in the history of colleges and universities where we will see a diminished federal role and an increased role for the states. Assuming that Kerr is correct, it will behoove all of us in the public arena to educate our policy makers about their roles in stimulating gift support to all of our higher education institutions, public and private, two-year and four-year. It is time to correct the sins of omission and the sins of commission.

Author's note: This article is not intended to provide legal advice or recommendations but rather to supply a general overview of significant policies. The author expresses appreciation to Steven Wuthrich, a law student who helped research the manuscript, and to several lawyers who have reviewed it. The author gratefully acknowledges their assistance, and that of numerous development officers and representatives of national organizations throughout the country who gave their input. Any errors and omissions, of course, are attributable solely to the author.

Part V

Conclusion

Chapter 15

THE PUBLIC-PRIVATE PARTNERSHIP

by Michael J. Worth

Public is public and private, but private is private and public. That's why public is public and private is private.

--Gertrude Stein

The confusion evident in this quote from Gertrude Stein is compounded by today's situation in higher education, for there has been a blurring of the private and public sectors, despite the significant differences that remain.

Public institutions still rely primarily upon state funds for operating and capital budgets, while private institutions rely to a greater degree upon private sources of support. However, this generalization may not apply entirely to all types of institutions. For example, the brief table below indicates the sources of operating revenue for an actual private research university and a nearby state university in 1978.

<u>Source</u>	<u>Private university</u> (percentages)	<u>Public university</u>
Private gifts and grants	22.0	1.69
Student tuition and fees	15.0	13.53
Endowment income	6.0	.16
Federal, state, and local governments	44.0	53.84
Other sources	13.0	30.78

Thus, for research universities, the status of the institution may not readily be determined by funding patterns.

There are, of course, significant legal and operational differences between private and public universities. With the exception of a few state universities that have "mixed" governing boards, including both appointed and self-perpetuating seats, the control of public institutions clearly resides with the political officials of the state or local government, who represent the taxpayers. Private institutions are just that -- private -- with self-perpetuating boards whose freedom more resembles that of private business corporations. But, in practice, even private institutions have in recent decades been forced by legislation or by their acceptance of state or federal funds to adopt procedures

and practices dictated by government policy. They have become more open, more accountable, and perhaps more bureaucratic, although bureaucracy appears to be largely a function of size and somewhat unrelated to the public/private distinction.

If the procedures of private institutions have moved more toward those of the public in response to legislation and government funding, the public institutions have in recent years become more adept at understanding the methods of the private sector, as university-industry collaboration and cooperation have expanded. In Chapter 8, George Moore mentions the Research Triangle in North Carolina, Silicon Valley in California, and the high-tech development along Boston's Route 128 as examples of industry-university collaboration, often including both private and public institutions.

Specific ventures and partnerships, such as the Harvard-Monsanto relationship or the program developed by the University of Maryland and Fairchild Industries, indicate that the development of industry-university partnerships is unrelated to the public/private status of the university, but is based rather upon geographic proximity and the availability of research and educational programs that fit the corporation's need both in terms of field and quality.

Use of foundations

The development of auxiliary corporations or foundations to administer such arrangements is growing in both the public and private sectors. For public universities, such partnerships may be impossible without these organizations. The independent charitable or research foundation represents a private system within the public system and is increasingly the point of interface between the two sectors. Public systems simply are not equipped to handle the type of transactions and commitments required by many university-industry relationships, and state budget analysts and auditors are often ill-prepared to even understand them.

But even private institutions have found benefits in isolating such programs both legally and financially from the ongoing work of the university. The growth of private corporations and foundations affiliated with universities is likely to continue, but not without controversy. As George Moore pointed out, some industry-university collaboration may raise questions concerning academic freedom and values. In general, these concerns apply to both private and public institutions, although perhaps more acutely to the public sector with its land-grant tradition of public service.

The financial and political issues raised by such corporations are particularly sensitive to the public sector, and there is likely to be a continuing debate concerning the balance to be achieved between the legitimate state interest in controlling its

public colleges and universities and the need of these institutions for greater autonomy in their dealings with private business. Occasional attempts by state officials to "open the books" of private foundations will likely continue.

If the desirable balance is to be maintained, it will be essential for universities to behave appropriately, recognizing the legitimate interests of the state, avoiding even the appearance of arrogance, and alleviating suspicion. On the other side, it will be essential for state officials to be flexible and not overzealously bureaucratic so as to not stifle the public-private partnership that can do so much to enable public universities to contribute to the nation's economic future. The working-out of this emerging partnership will be a major item on the agenda of the nation and higher education in the next decade and will be vitally important to the nation's economic strength and competitive position in the world.

As all of the authors in this book have noted, there is a wide range of differences among the public colleges and universities of this country. Many have for years sought and received significant private support. But most have not. For the majority of public institutions, fund raising is a relatively new effort, and development staffs have either been put in place recently or have experienced dramatic growth in the recent past. It seems likely that staff size will be leveling off at institutions with mature programs, while continuing to grow at the majority with "infant" programs.

Fund raising for public institutions will continue to be an interesting adventure. While these institutions benefit from the many years of experience of their private sector counterparts, they must adopt, discard, alter, and redesign many of the traditional techniques to fit their own circumstances and capitalize upon their own unique strengths. This will require imagination on the part of development professionals.

Fund-raising trends

In a 1977 article entitled "Looking Toward the Eighties," published by Brakely, John Price Jones Inc., John Leslie identified trends for public institution fund raising. As we approach the midpoint of the decade, events are bearing out his observations. Among the trends noted by Leslie are the following:

- * Increasingly, major donors -- and even some with modest potential -- are asking how the present request for money fits into the institution's long range plans....Public higher education will further succeed in fulfilling its mission to the degree that it responds to these demands for sound long-range planning.

- * State institutions will increasingly face the rising campus cry for fund-raising capabilities within the component colleges, schools, and institutes...The answer is to develop a strategy, or plan, which takes into account the interests of the institution and the particular needs of the various units.
- * As needs increase for fund-raising capabilities among the various components of individual institutions, so too will the desirability of coordinated alumni and public relations programs.
- * Institutions will increasingly face the dilemma of whether or not to stage an all-university campaign or one for a single component. No one answer will apply to all state institutions....
- * It is difficult to forecast whether multi-campus universities will mount campaigns which include more than one campus. Such ventures have not been common in the past and they will continue to present difficult internal and external problems in the future.
- * As philanthropy becomes more critical to the achievement of important goals for state institutions, chief executive officers will increasingly recognize and accept the key role they must play.
- * Although there is a trend for professional staffs at public universities to become directly involved in gift solicitation, quality volunteers will continue to be the prime factor in successful large campaigns.
- * The roadmap for successful fund raising -- particularly in the major campaign area -- in the '80s is probably being charted most decisively by state institutions which are building strong, independent foundations...along with active, capable alumni organizations interested in more than self-satisfaction and entertainment.

In concluding this chapter and this book, the editor wishes to emphasize two important points.

First, as John Leslie notes:

Fund-raising success is the direct result of solid long-range academic, financial, and philanthropic planning. Yet while pressure on some chief development officers to raise money for a multitude of projects and programs has become intense, too often it is accompanied by the lack of university planning, placing these development officers in the position of either having to make academic decisions, or grease the wheel that squeaks the loudest, i.e., take on the project of the

most persistent dean or professor....The university must be able to demonstrate that each of the [development] program's components is of critical importance to the institution's mission, fits in effectively with the academic and financial projections for the coming three to five years, and can be funded only through private gift support.

It may in fact be more difficult for public institutions to plan for the long term than it is for their private counterparts. Financial projections may be more difficult when public resources are to a large extent affected by changing political priorities and pressures. However, it may also be that public college and university administrators, simply not accustomed to considering private support as an element in their planning, have not yet learned how to identify opportunities for private support and to weave them into their overall academic and financial planning. From my conversations with colleagues across the country, it appears that the squeaky wheel method is all too common at public institutions. This must change if the public sector is to achieve its potential for private support.

Development professionals in the public sector have a need -- and indeed a responsibility -- to think beyond the narrow confines of their trade in order to serve as advocates and advisors in this broader process of planning and needs-identification. And development professionals in both the public and private sectors must always take the long view. We must always seek a balance in our efforts, to address the institution's bona fide current needs and our president's expectations of more immediate income while also serving the institution's long-range interests. Bear in mind that an institution can make two critical mistakes in fund raising: (1) to ask for the gift before the donor is ready and (2) to not ask for the gift when the donor is ready. Knowing where your program and prospects are is a fundamental aspect of the art.

In Chapter 6, Robert Ashton makes a point that bears repeating. Public institution development officers may have a greater opportunity to take the long view, to build their programs solidly from the ground up, to do it right -- because their institutions are for the most part not in urgent need of current gift income to survive or meet the basic operating costs.

We development professionals, more than anyone else on campus, are the custodians of our institutions' futures. The buildings we help to finance, the endowments we create, the new programs we help to fund will all be serving students many years after our tenure on campus, or that of our presidents. Ours is the responsibility always to hold this future in mind and serve it well. It may be, as Ashton maintains, that public institutions, relatively free from the pressure for immediate funds to survive, have a special opportunity to build their futures wisely.

There is a poster for sale in the student bookstore at the University of Maryland; I have seen it often. Under a picture showing the majesty of the Rocky Mountains is the caption "Great things take time." Perhaps we should all hang it in our offices and present copies as gifts to our presidents and our boards.

Taking the long view is not, however, in any way an excuse for being casual about our work or proceeding without a sense of urgency. The long run is, after all, not really that long. The needs will be no less and certainly more in five, 10, or 100 years. John Kennedy used to tell a story about a man who was about to plant a fruit tree in his yard and was discouraged by his neighbor, who said, "Why, that tree won't bear any fruit for 50 years." "Well," said the man, "in that case I must plant it immediately." Public colleges and universities, whether advanced or just starting in their fund-raising programs, must begin immediately to build the stronger future for their institutions upon which the future of this nation will so greatly depend.

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